ATB Financial

2007 Annual Report

the COMMUNITIES
that CONNECT *the province*

ATB Financial is an Alberta-based financial institution operating in three lines of business: Personal and Business Financial Services, Corporate Financial Services, and Investor Services. With assets of $20.3 billion, ATB Financial is the largest Alberta-based financial institution. Over 4,100 associates provide financial products and services to over 600,000 customers in 244 Alberta communities through a distribution network of 154 branches, 134 agencies, and a Customer Contact Centre. A full range of wealth management products and services are provided under the banner of ATB Investor Services. ATB Financial was established in 1938 as Alberta Treasury Branches and has been a provincial Crown corporation since 1997.

Vision:
Alberta's first choice for financial services.

Mission:
To deliver unrivalled levels of service to our customers through engaged associates enabling our Shareholder to enjoy a fair return.

the COMMUNITIES *that* CONNECT *the province*

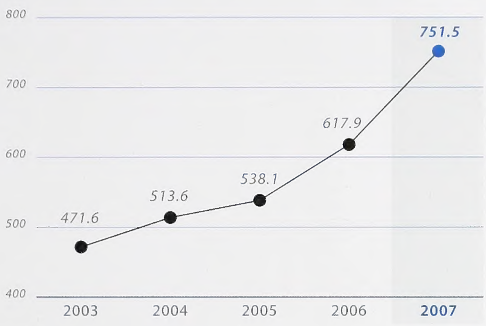
Travel with us through the unique central Alberta corridor, home to hard-working people who are no strangers to going that extra mile. In these diverse communities you'll find real success stories—unique Albertans whose contributions have helped create our province's robust economy.

Here, in one of the world's fastest-growing areas, discover how people with the will to succeed have found a way to make their vision a reality. By meeting the individual needs of these businesses and fostering long-term relationships, ATB has helped them find their own way to success. We are proud to support their journeys.

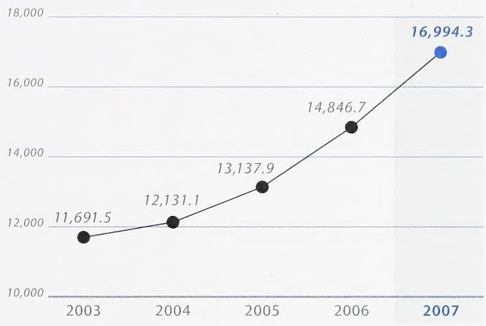
ATB FINANCIAL *2006-07 Highlights*

For the years ended March 31

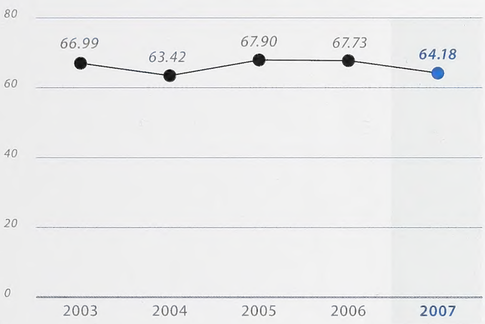
Operating Revenue *($ in millions)*



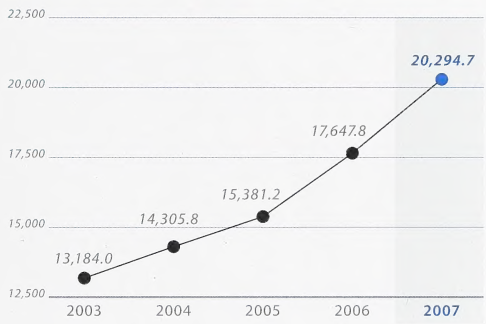
Total Loans, Net *($ in millions)*



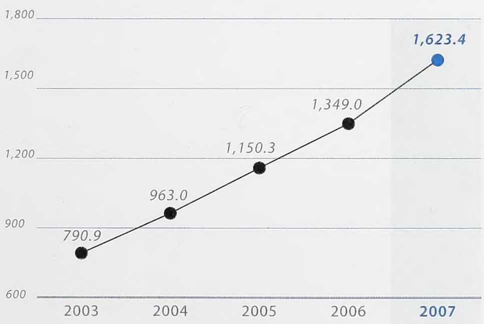
Efficiency Ratio *(%)*



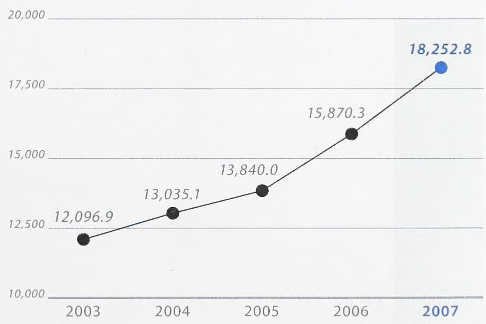
Total Assets *($ in millions)*



Equity *($ in millions)*



Total Deposits *($ in millions)*



For the years ended March 31	2007	2006	2005	2004	2003
Operating results *($ in thousands)*					
Net interest income	$ 571,805	$ 462,251	$ 398,746	$ 397,284	$ 364,160
Other income	179,661	155,621	139,308	116,272	107,442
Total operating revenue	751,466	617,872	538,054	513,556	471,602
(Recovery of) provision for credit losses	(5,211)	688	(14,594)	15,859	(43,211)
Non-interest expenses	482,289	418,463	365,335	325,673	315,909
Net income	$ 274,388	$ 198,721	$ 187,313	$ 172,024	$ 198,904
Financial position *($ in thousands)*					
Net loans	$ 16,994,329	$ 14,846,694	$ 13,137,917	$ 12,131,053	$ 11,691,482
Total assets	$ 20,294,718	$ 17,647,815	$ 15,381,232	$ 14,305,810	$ 13,183,995
Total deposits	$ 18,252,838	$ 15,870,308	$ 13,840,032	$ 13,035,120	$ 12,096,911
Equity	$ 1,623,383	$ 1,348,995	$ 1,150,274	$ 962,961	$ 790,937
Key performance measures *(%)*					
Return on average assets	1.44	1.20	1.27	1.24	1.55
Operating revenue growth	21.62	14.83	4.77	8.90	1.03
Other income to operating revenue	23.91	25.19	25.89	22.64	22.78
Operating expense growth	15.25	14.54	12.18	3.09	9.78
Efficiency ratio	64.18	67.73	67.90	63.42	66.99
Net interest spread	3.06	2.85	2.76	2.94	2.92
Credit losses to average loans	(0.03)	0.00	(0.12)	0.13	(0.39)
Net impaired loans to total gross loans	(0.62)	(0.66)	(0.59)	(0.68)	(0.70)
Net loan growth	14.47	13.01	8.30	3.76	12.41
Total asset growth	15.00	14.74	7.52	8.51	6.72
Total deposit growth	15.01	14.67	6.17	7.76	5.88
Other information					
Investor Services' assets under management and administration *($ in thousands)*	$ 3,716,420	$ 2,454,234	$ 1,303,417	$ 568,196	$ 192,508
Branches	154	150	148	145	145
Agencies	134	135	131	129	131
ABMs	244	233	227	222	225
Associates *(headcount)*	4,145	3,814	3,454	3,258	3,194

RED DEER *52° 16′ N, 113° 48′ W*

Corvet Construction (1977) Ltd

Specializing in pipeline construction in Alberta has been their path to success. Ed Zaparniuk, founder of Corvet Construction, and his son Lorne have expanded the company from construction to environmental services, oilfield lease construction, and cleanup, across Alberta from the southern foothills to the northern oil sands. Corvet was one of the first Alberta contractors to work overseas in Barbados and ATB was instrumental in that project's success.

Since its inception in 1977, Corvet has done business with ATB Financial. The financial success of their company is a testament to the good business sense that Ed and Lorne have demonstrated over the years.

CASTOR *52° 13′ N, 111° 54′ W*

Kathleen Charpentier and Richard Griebel

Bison, beef, lamb, chickens, and turkeys. Talk about diversity in livestock. Kathleen Charpentier and Richard Griebel have a passion for good, clean, humanely raised food and a vision of providing that food for their customers by farming in a way that works with nature. While their livestock thrives in the open-air grandeur of their Peace Country location, their business gets stronger through open communication with their customers.

ATB Financial is helping them find the way to make their vision a reality. Kathleen and Richard are convinced that, unlike larger financial institutions, ATB works to maintain strong connections with their customers. "They go to bat for you; they step out for you. They are committed to being part of rural communities."

OLDS *51° 48′ N, 114° 06′ W*

Dan Rausch

When people in the towns of Didsbury and Olds feel the urge to build something, whether home extensions or new fireplaces, they know meeting with Dan Rausch is crucial.

Dan is a private contract building inspector who is skilled at ensuring that building plans meet provincial safety codes.

Dan works hard to find a way to make both towns safer places in which people want to live. With branches in the towns where Dan conducts the majority of his work, ATB Financial makes that much easier.

RED DEER *52° 16′ N, 113° 48′ W*

Sanjel Corporation

In Alberta's thriving economy, Sanjel Corporation has become recognized as a leader in oilfield services. Sanjel's recent expansion into the international market reflects their skill at capitalizing on industry opportunities, while core values keep the company balanced and strong during periods of growth. Celebrating their 25th anniversary, Sanjel is Canada's largest privately owned oilfield services company, and views both employees and customers as part of an extended family.

Sanjel has also built a long-term relationship with ATB Financial over the years. And they proudly credit this as one of the reasons they've been able to grow while maintaining their privately owned status.

WETASKIWIN *52° 58′ N, 113° 22′ W*

Supreme International Limited

Since 1952, Supreme International has become known as a visionary leader in designing and manufacturing farming equipment. Supreme International transformed the way livestock is fed by asking why square boxes were used for mixing feed when round bowls would be more efficient. Their Vertical Feed Processor is the result.

ATB Financial is proud to be part of the history of this family-run company that has also revolutionized the compost industry with its Supreme Enviro Processor. Clearly, growth and success are part of Supreme's future. So is ATB.


3 Million Sales
TIM MCGRAW
JMM
ALL ACCESS
SAWYER BROWN
ALL ACCESS
ALL ACCESS
ALL ACCESS

CAMROSE *53° 01′ N, 112° 49′ W″*

Panhandle Productions

From organizing major musical events like Alberta's annual Big Valley Jamboree to creating unique corporate entertainment, Panhandle Productions sits at the forefront of North America's special event planning. Panhandle works closely with each client to achieve success at conventions, executive retreats, award ceremonies, and tradeshows.

Paying close attention to small details is a trait Panhandle shares with ATB Financial. Each believes in treating clients as individuals with diverse and distinct goals—and working hard to help clients find a way to meet them.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Robert A. Splane

Having joined ATB Financial in June 2006, it is my distinct pleasure to be part of this unique Alberta institution.

ATB's directors are united in their commitment to ATB's Triple Win formula of engaged associates, satisfied customers, and shareholder value. We are committed to visionary planning, ethical governance, and seeing ATB reach its goals in the most dynamic and challenging time in Alberta's history.

During the past few months, it has been my duty and pleasure to work with the Board in monitoring ATB's sound loan portfolio, witness the passionate work ethic of ATB associates, and see the unwavering dedication of both management and associates to our customers.

The Board's commitment to planning and good governance is carried out in the context of both expert and ethical leadership. One member has received the ICDD certification, granted by the Institute of Corporate Directors, for directors who have met the key competencies of the Institute. Two other directors are currently enrolled in the program. All Board members are encouraged to stay current with governance best practices, thus providing the right tone at the top of the organization: by putting the customer first, encouraging

our associates, and ensuring a fair return to our Shareholder, the Government of Alberta.

ATB Financial is becoming recognized as a centre for excellence in the financial services industry. To continue to do that, we must provide our customers with a full suite of financial products and services.

Succeeding in Alberta's buoyant economy is not without its challenges; we must be vigilant in making prudent credit and investment decisions and managing our growing business. To continue providing ATB's level of customer service, we will expand where Alberta is growing and maintain our services in both rural and urban areas.

In closing, I would like to pay special tribute to Bob Normand and wish him well as he retires from ATB in June 2007. Bob's first position with ATB began in June 1997, when he was hired as Executive Vice-President, Sales. He held that position until November 2001 when he was appointed President and CEO. Bob has played a vital role in leading the organization forward and positioning it to meet the future financial needs of Albertans.

I would like to thank my predecessor, Ron Triffo, for his exemplary leadership of the Board for six years and to welcome Dave Mowat, ATB's new President and CEO. We look forward to working as a team as we anticipate another banner year for ATB.

Robert A. Splane
Chairman of the Board

ATB Financial is becoming recognized as a centre for excellence in the financial services industry. To continue to do that, we must provide our customers with a full suite of financial products and services.

MESSAGE FROM THE PRESIDENT AND CEO

Bob Normand

In this, my final annual report message as President and CEO, I want to acknowledge associates and customers who've journeyed with me and ATB over the last decade.

You've either participated as builders of the business or you've entrusted us with the opportunity to serve you. ATB's Triple Win philosophy—built on engaged associates, satisfied customers, and strong shareholder value—is not just lip service.

ATB boasts more than 4,100 associates who, day in and day out, go the extra mile. You've shown you care enough to understand your customers' needs, identify alternatives, and offer solutions. And for that, we've been rewarded with our best results in 68 years.

Because of your spirit and expertise, your customers keep coming back, and now, more than ever, they are recommending ATB Financial to their family and friends. You've built strong relationships in a climate where you've been stretched beyond what any Albertan could've anticipated. Congratulations for navigating superbly through another demanding year of growth. *You* are ATB's competitive edge.

As I reflect on the last 10 years, I cannot separate our recent successes from our long-run commitment to setting the highest ethical standards. That charge was critical to solidifying the foundation upon which we continue to build.

Let's not forget our customers. Without you we'd have no business. You inspire us to navigate through the complex world of personal and business finances. In return, we will be forever mindful of the role you play in motivating us to always find a way to get the job done for you. Serving you remains our mission and, going forward, that will not change.

Because of you, ATB has played a significant part in supporting the development of Alberta's increasingly diverse and complex economy. We've had the honour of helping you become a first-time homeowner, save money for your kids' education, finance your start-up, or realize other ambitious dreams. The numbers included in this annual report don't tell the full story—our real bottom line is about how many lives we've touched and how we've been able to assist you.

As I reflect on the last 10 years, I cannot separate our recent successes from our long-run commitment to setting the highest ethical standards. That charge was critical to solidifying the foundation upon which we continue to build.

You've also helped us develop local expertise and intellectual capital that focuses on the needs of Albertans. In doing that, you're helping us keep our best and brightest Albertans right where we need them—here at home. That contribution to our economy will last generations.

Before closing, I want to welcome my successor, Dave Mowat, who takes over in June. I have confidence that he'll be as moved by the dedication and loyalty he sees around him as I have been. Thanks again, associates and customers, for helping ATB find a way to do business with you. I'll sincerely miss you.

Bob Normand
President and Chief Executive Officer

CORPORATE GOVERNANCE

Corporate governance includes the policies and processes used to supervise the business and affairs of the corporation with the objective of enhancing shareholder value, maintaining the financial viability of the business, and maintaining a strong relationship within the communities that ATB Financial operates. Corporate governance establishes the expectations of the Shareholder and authority, responsibilities, and accountabilities of the Board and management. In setting direction and managing the business, consideration is also given to the impact of decisions on other stakeholders, including employees, customers, and the communities in which ATB Financial operates. Corporate governance begins with the Board of Directors and its committees, and extends throughout the entire organization to every associate. ATB Financial is committed to transparency and accountability and, as such, supports disclosure of its corporate governance practices, delivery of useful information through broad channels of communication, and use of appropriate financial and operational performance measures.

ATB Financial is a Crown corporation owned by the Province of Alberta. As a provincial Crown agent, ATB Financial is not subject to the requirements of a corporation with publicly traded securities, requiring annual disclosure of the approach to corporate governance with reference to National Instrument 58-101, Disclosure of Corporate Governance Practices (the "CSA Corporate Governance Guidelines"). However, ATB Financial endorses the key principles of such requirements as a best practice guideline and complies with requirements considered by ATB Financial to be appropriate to a Crown corporation.

ATB Financial operates within the spirit and scope of the Alberta Treasury Branches Act and its regulations and other provincial legislation affecting the operations of provincial Crown corporations. Many of the governance requirements set out in this legislation are modelled on the statutes and regulations governing other financial institutions as well as other guidelines to financial institutions issued from time to time by the Office of the Superintendent of Financial Institutions and the Canada Deposit Insurance Corporation. ATB Financial and the Minister of Finance for the Province of Alberta have entered into a Memorandum of Understanding ("MOU"), the purpose of which is to further clarify the Shareholder's governance-related expectations for ATB Financial. The details of the MOU, including various public accountability documents contemplated therein, are available on the ATB Financial website.

The directors of ATB Financial are appointed by the Lieutenant Governor in Council. They are each highly qualified, and their experience represents the various regions and industries critical to the success of the Alberta economy. The Board is comprised of individuals with financial acumen, industry experience, and professional qualifications to ensure breadth of knowledge, independence, and a diversity of perspective and experience.

The Board is committed to complying with all applicable laws, rules, and regulations related to the status of its directors including relevant provisions of the Alberta Treasury Branches Act and the CSA Corporate Governance Guidelines. The Board has determined based on review of the relevant provisions of the Alberta Treasury Branches Act that none of its directors would be considered affiliated directors. As required by the CSA Corporate Governance Guidelines, the Board has adopted director independence standards and, based on those standards, the Board makes an affirmative determination with respect to each director's independence at least annually. The director independence standards of ATB Financial and the current annual determination of directors' independence are available on ATB Financial's corporate website.

The Board of Directors is committed to ensuring that ATB Financial has an effective governance system that adds value and enables the corporation to achieve its objectives. The Board conducts its responsibilities either directly or through its committees. Committee chairs report on the activities of their committees to the Board at each Board meeting. Each Board and committee meeting includes an in-camera session,

without management. The terms of reference are reviewed annually by each committee. The terms of reference of all Board committees are also reviewed by the Governance and Conduct Review Committee prior to putting forward any required amendments to the full Board for approval.

The Board has approved a Corporate Social Responsibility Statement for ATB Financial. That statement includes a commitment to follow emerging best practices of corporate behaviour and to ensure that such standards are met. The foundation of ATB Financial's commitment is the adoption and implementation of practices in corporate governance comparable to the Canadian chartered banks and the creation of sustained growth in corporate value for the benefit of Albertans in accordance with expectations set out in the MOU.

A key element of good corporate governance is full disclosure of all corporate governance activities, confirmation of responsibilities of the directors and auditors, including the assessment of their independence from management, and accurate, timely, and periodic financial reporting. ATB Financial makes or will make the following governance documents publicly available on its website:

1. The Code of Conduct and Ethics for directors and for officers and other employees;
2. The terms of reference for the Board and its standing committees and the Board Charter;
3. A corporate statement of governance practices, which compares ATB Financial's governance practices to the CSA Corporate Governance Guidelines, or any future replacement thereto;
4. The MOU, including the public accountability documents set out in Section 7 thereof, such as the quarterly and annual financial statements, including management's discussion and analysis prepared in accordance with any legal or regulatory requirements, which apply to publicly owned financial service providers in Canada;
5. Any policies required or recommended by regulatory authorities related to corporate governance issues and approved by the Board of Directors, including the Communication and Disclosure Policy, the Corporate Social Responsibility Statement, the Safe Disclosure Policy, and the Enterprise Risk Management Policy;
6. Directors' Independence Standards and the Report on Directors' Independence; and
7. Disclosure of Directors' Attendance at Board and committee meetings and individual director annual compensation.

The Board of ATB Financial also adopted a legal and regulatory compliance policy pursuant to the Legislative Compliance Management Guideline implemented by the Shareholder in July of 2004. The key focus of the guideline and related policy is on the implementation of a compliance framework including a formal report to the Shareholder by the directors pursuant to Section 23.2 of the Alberta Treasury Branches Act. The most recent report for the year ending March 31, 2006, was made in September 2006.

In the fall of 2005, the Board conducted an evaluation of the effectiveness of its activities, including self-assessment of individual director performance. In the fall of 2006, the directors completed a peer-assessment process, which included private meetings with each director and full report to the Board of Directors by the Board Chair. In February 2007, the Board determined that, going forward, both the Board effectiveness evaluation and peer-assessment review would be conducted annually.

Since 2004, ATB Financial, on direction from the Audit Committee, has been working towards voluntary compliance with the Audit Committee-related requirements of the Canadian Investor Confidence Guidelines. In 2006, the Board adopted a Safe Disclosure Policy and, effective as of January 1, 2007, a safe disclosure process involving an independent third-party provider was available to ATB Financial associates to supplement existing internal communication and investigation channels.

The current committees of the Board include the following:

Audit Committee

The Audit Committee is responsible for key areas including: financial reporting and disclosure with respect to annual and interim financial statements, internal audit, the relationship with the external auditor, risk-management responsibilities for operational risk including technology risk and legal and regulatory risk, public reporting responsibilities, and such other duties and responsibilities as the Board determines.

Governance and Conduct Review Committee

The Governance and Conduct Review Committee is responsible for monitoring and enhancing the effectiveness of corporate governance practices, conflict of interest and ethical requirements, including the conduct and ethics of directors, senior management and other employees, and monitoring the service excellence process. The Governance and Conduct Review Committee is also responsible for the overall approach to enterprise risk management and oversight with respect to the management of reputational and strategic risks.

Human Resources Committee

The Human Resources Committee is responsible for the human resources strategy of the corporation including: senior management succession planning, compensation, benefits and performance management, and for the review and recommendation to the Board for approval of policies with respect to the management of people risk. The Human Resources Committee is also responsible for officer appointments and provides guidance to management on human resource matters as appropriate. In the fall of 2006, the Pension Committee was disbanded and the Human Resources Committee assumed its responsibilities for recommending to the Board for approval any financially significant or strategic decisions with respect to ATB Financial's obligations as a participating employer with respect to the Public Service Pension Plan, and any policies with respect to ATB Financial's obligations as plan sponsor and administrator of ATB Financial's management pension plan, including the investment policy and funding policy and any amendments thereto. The Human Resources Committee is also responsible for the overall pension governance structure, any material changes in plan design, and oversight with respect to the pension-related activities of management and key third-party suppliers.

Credit and Financial Risk Committee

The Credit and Financial Risk Committee is responsible for the review and recommendation to the Board for approval of policies with respect to the management of credit and financial risks of ATB Financial's operations including: credit risk, such as portfolio loan concentrations, loan loss provisions, and the policies directed at reasonable and prudent investment and lending activity; and financial risk, such as asset/liability management, liquidity, interest rate fluctuation, and foreign exchange exposure, in accordance with applicable legal and regulatory requirements and sound business and financial practices prescribed by financial service industry regulatory authorities.

Investor Services Committee

The Investor Services Committee is responsible for the review and oversight of the activities of the Boards of any of the corporation's subsidiaries involved in its Investor Services business, with respect to the implementation of approved strategic and annual business plans, and the legal and regulatory compliance of such operations. The Investor Services Committee also provides stewardship with respect to the assets of the corporation invested in the Investor Services subsidiaries.

From time to time, the Board may create ad hoc committees responsible for addressing a particular strategic issue or matter of material significance to the corporation. In 2006, the Board established an ad hoc committee to deal with the issue of CEO succession and the selection of a candidate for the position of President and CEO to recommend for appointment by the Province of Alberta upon the retirement of Robert Normand.

AWARDING THE BEST WINNERS

Awarding the Best is ATB Financial's associates' recognition program. Congratulations to all June 2006 recipients whose special efforts made a huge difference to other associates and to ATB!

Sales Referrals

(Prize: Trip to St. Lucia)

Lindsay Hope,
Edmonton Skyview

Marilyn Corse,
Edmonton Manning Crossing

Eva Fay DeLeeuw,
Edmonton Namao

Christine Fung,
Calgary Stephen Avenue

Tanya Harden,
Slave Lake

Sally Dillman,
Manning

Debbie Young,
Fort McMurray River Valley

Darlene Proctor,
Lacombe

Sherri Straub,
Lacombe

Kelly Bevans,
Raymond

Consolacion (Sol) Marcos,
Edmonton Hawkstone
(MasterCard Referral Winner)

Top Branches for Overall Sales Referrals

(Prize: Cash for branch social fund)

Edmonton Skyview ($2500)
Raymond ($2500)
Bow Island/Foremost ($1000)

Balanced Growth

(Prize: Trip to St. Lucia)

Paul Schneider,
Edmonton Hawkstone

Eric Smith,
Linden

Andrea Millett,
Edmonton ATB Place

Tim Featherstone,
Calgary 17th Avenue

Candy Kiers,
High Level

Shaida Jetha,
Calgary 6th Avenue

Laura Penney,
Airdrie

Lorraine Syrnyk,
Leduc

Barbra Phipps,
Calgary Stephen Avenue

Dayna Hoskins,
Fort McMurray River Valley

Best of the Best Line of Business

(Prize: Trip to St. Lucia)

Business Financial Services
Paul Ermantrout
David Bruns
Leroy Lazarick
Khalid (Carlos) Qafaiti

Corporate Financial Services
Eugene Czuczman
Timothy Gillespie
Victor Martinez

Direct Sales
Josephine Chai,
Mortgage Development Office

Investor Services
Robert James
Christine Baron
Shafiq Kassam
Georgia Sjolie
Jennifer Marsh

Stars Among Us

(Prize: Trip to St. Lucia)

Roberta Milton,
Human Resources

Pamela Allen,
Investor Services

Keith Rankin,
North Regional Office

Peter Meusburger,
IT Development and Operations

Karen Robitaille,
Business Loan Centre (BFS Calgary)

Cash Award Recipients

Karen Lane, Direct Sales
(Conditional Sales),
2005-06 Community Stars Winner

Barrie Bishop,
Business Financial Services

Gale Driedger,
Investor Services

Mark Dupperon,
Investor Services

Jacalyn Mawer,
Investor Services

June 2007 *Awarding the Best* recipients will be published in next year's annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION AND INDEX

This section of the annual report presents management's discussion and analysis ("MD&A") of the consolidated results of operations and financial condition of ATB Financial ("ATB") for the year ended and as at March 31, 2007. The MD&A is current as of April 23, 2007, and, unless otherwise indicated, all amounts presented are reported in thousands of Canadian dollars and are derived from the consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These statements may be found beginning on page 87 of this annual report.

Any reference to the term "banking" in this annual report is intended to convey a general description of the financial services provided by ATB to its customers. ATB is not a bank chartered under The Bank Act of Canada but is a financial institution incorporated under Alberta statute and operates in Alberta only. For more details, refer to the History and Regulatory Framework section of this MD&A beginning on page 23.

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. Alberta Treasury Branches (operating as "ATB Financial" or "ATB") from time to time may make forward-looking statements in other written or verbal communications. These statements may involve, but are not limited to, comments relating to ATB's objectives or targets for the short and medium term, our strategies or actions planned to achieve those objectives, targeted and expected financial results, and the outlook for our operations or the Alberta economy. Forward-looking statements typically use the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," or other similar expressions, or future or conditional verbs such as "could," "should," "would," or "will."

By their very nature, forward-looking statements require ATB's management to make numerous assumptions and are subject to inherent risks and uncertainties, both general and specific. A number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in the forward-looking statements. Such factors include, but are not limited to: changes in our legislative or regulatory environment; changes in ATB's markets; technological changes; changes in general economic conditions, including fluctuations in interest rates, commodity prices, currency values, and liquidity conditions; and other developments, including the degree to which ATB anticipates and successfully manages the risks implied by such factors.

ATB cautions readers that the aforementioned list is not exhaustive. Anyone reading and relying on forward-looking statements should carefully consider these and other factors that could potentially have an adverse affect on ATB's future results, as there is a significant risk that forward-looking statements will not prove to be accurate.

Readers should not place undue reliance on forward-looking statements as actual results may differ materially from plans, objectives, and expectations. ATB does not undertake to update any forward-looking statement contained in this report.

INTRODUCTION TO ATB

Business Overview

More people. More branches. More face-to-face. ATB Financial ("ATB") is a full-service financial institution headquartered in Edmonton, Alberta, Canada. ATB commenced operations in 1938 and, today, with total assets of $20.29 billion, is the largest Alberta-based financial institution.

ATB is a cornerstone in communities throughout Alberta. In fact, we are the sole financial institution in 118 Alberta communities. Our access points currently include 154 branches, 134 agencies in 244 communities throughout the province, plus our own Customer Contact Centre in Calgary. Services are also available through 244 automated banking machines ("ABMs") across the province, Internet banking, and telephone banking. A workforce of more than 4,100 associates provides Personal and Business Financial Services, Corporate Financial Services, and Investor Services to over 600,000 Albertans and Alberta-based businesses.

ATB continues to build strong customer relationships in pursuit of its vision to be Alberta's first choice for financial services. Our credo is the "Triple Win," which ensures that we deliver the best value to each customer through a competent, professional, and engaged team of associates so we deliver a fair return for our Shareholder, the Province of Alberta.

History and Regulatory Framework

ATB was established in 1938 by the Government of Alberta to extend basic financial services to Albertans, and our first branch, located in Rocky Mountain House, opened in September of that year. ATB became a provincial Crown corporation on October 8, 1997, under the authority of the Alberta Treasury Branches Act, Chapter A-37, 1997, and Alberta Treasury Branches Regulation 187/1997 (the "ATB Act" and "ATB Regulation," respectively). In January 2002, we launched our new corporate identity, ATB Financial. This new identity confirms the business we are in—providing a full range of financial services across Alberta—and reconfirms our commitment to the people of our province.

As Crown corporations, ATB and its subsidiaries operate under a regulatory framework established pursuant to the provisions of the ATB Act and ATB Regulation. The legislation was modelled on the statutes and regulations governing other Canadian financial institutions and is updated periodically. The Alberta Minister of Finance has also approved a number of guidelines similar to those issued by the Office of the Superintendent of Financial Institutions that supervises federally regulated deposit-taking institutions. A Memorandum of Understanding between the Alberta Minister of Finance and ATB provides policy guidance to ATB in conducting its affairs in accordance with the expectations of the Province. We also operate within the framework of other Alberta provincial legislation affecting the operations of provincial Crown corporations and providing for consumer protection and privacy. Certain of our subsidiaries that provide investor services are also subject to regulatory oversight by the Mutual Fund Dealers Association of Canada, the Investment Dealers Association of Canada, or the Alberta Securities Commission.

ATB operates under the direction of a board of directors appointed by the Lieutenant Governor in Council, and has investment, liquidity, and risk standards broadly comparable to other Canadian financial institutions.

Overview of Strategy and Priorities

ATB Financial is committed to the province of Alberta for the long term, with all business decisions made right here in the province where we work and live. We understand the needs of our customers and the marketplace, from small business and agriculture to corporate and retail financial services and investor services. Our overall presence across Alberta continues to grow and expand to a penetration level unmatched in our 68-year corporate history.

The continued strength of the Alberta economy has helped to produce yet another year of strong financial performance and will ensure the availability of resources to provide for a positive ongoing balance of interest and outcomes for our customers and associates, and for our Shareholder—our Triple Win approach. To remain a relevant option as Albertans' first choice for financial services, we continue to expand and revitalize our product and service offerings, and are experiencing substantial growth in all three core lines of business:

1. Personal and Business Financial Services;
2. Corporate Financial Services; and
3. Investor Services.

In order to achieve our vision of being Alberta's first choice for financial services, ATB has established four key strategies for the 2008-2010 fiscal years, which are reflected in the planned allocation of our resources or within ongoing and planned projects:

1. Deliver an exceptional, superior service experience to our customers;
2. Diversify revenue by meeting the financial service needs of our customers;
3. Preserve and build a highly skilled and engaged team of associates; and
4. Balance fair returns with effective risk-management practices.

Successful businesses know their future lies in retaining the best people and attracting talented new associates. Our dedicated team of associates is key to delivering service to our customers and fulfilling our brand promise—"where there's a way." This focus has seen the equivalent of 1,174 new full-time jobs added to our workforce since March 31, 1999; going forward, new employment opportunities will continue to be created in urban and rural settings.

For a more complete discussion of our strategies and plans for the upcoming 2007-08 fiscal year and beyond, refer to the Review of Business Segments section of this MD&A beginning on page 45.

ECONOMIC OUTLOOK
2006-07 PERFORMANCE AND 2007-08 TARGETS

All references to years contained in the following Economic Outlook and Implications to ATB section are to calendar years, unless otherwise stated.

Economic Outlook and Implications to ATB

As an Alberta-based financial institution, ATB regularly monitors the provincial, national, and international economies and considers their potential to impact ATB's customers and our operations. Our economic outlook for the upcoming fiscal year and beyond, prepared as of April 23, 2007, is as follows:

Alberta Economy at a Glance	Reference period		Year/year
Unemployment *(seasonally adjusted)*	March 2007	3.60%	(0.2%)
Housing starts *(urban, seasonally adjusted annually)*	Jan-Feb 2007	5,340	(0.4%)
Building permits *($ millions, seasonally adjusted)*	Jan-Dec 2006	13,876	36.0%
Manufacturing shipments *($ millions, seasonally adjusted)*	Jan-Dec 2006	64,282	6.6%
New motor vehicle sales *(number of vehicles, seasonally adjusted)*	Jan-Dec 2006	249,343	12.1%
Consumer Price Index	March 2007	144.5	5.5%
Retail trade *($ millions, seasonally adjusted)*	Jan-Dec 2006	56,568	16.0%
Wholesale trade *($ millions, seasonally adjusted)*	Jan-Dec 2006	61,700	13.1%

Source: Alberta Monthly Economic Review, March 2007, and Statistics Canada

The Alberta economy continues to grow rapidly, supported by high nominal oil and natural gas prices. The province's estimated GDP growth for 2006 was 6.9%, which rivals that of China. Strong employment has led to the lowest unemployment rate and the highest worker participation rate in the country. Alberta's housing market, though still strong, seems to be moderating somewhat. During 2007, growth in Alberta will moderate from levels attained last year. Labour shortages and housing affordability will continue to remain a challenge in Alberta. Personal consumption remains at high levels and corporate profits and investments will continue to be solid.

Business Confidence

According to the ATB Financial Business Sentiments Index™ ("BSI"), Alberta businesses expect a continued moderation of economic activity from the very buoyant 2006 levels. The BSI is based on a survey of over 400 Alberta businesses in sectors that typically lead the economy. Scores under 100 denote a contracting economy and scores over 100 denote an expanding economy with a maximum score of 200 where all participants expect their businesses to expand.

For the second quarter of 2007, the BSI was 140—essentially unchanged from the previous quarter. This compares with a level of 163 for the fourth quarter of 2006 and an average of 155 for the four quarters of last year.

The results indicate that virtually no growth is expected in the oil and gas sector in the first quarter of 2008. Manufacturing, transportation/warehousing, and wholesaling are expected to expand robustly in the upcoming second quarter. The chief concern, of course, is whether the weak sentiment in the oil and gas sector affects the broader economy. Our Index of Hiring Conditions remains solid at 131—marginally higher than the previous quarter but off from the average 2006 level of 139. Hiring in the oil and gas sector is expected to be soft, but other sectors are facing significant labour challenges.

Oil and Gas

So far in 2007, oil prices have risen from their mid-January low of US$50 per barrel to above US$60 per barrel since the end of March. As political instability remains a feature in the Middle East, growing economies in China and India increase their demand for energy, and North American demand continues to expand, oil prices are likely to remain elevated at above US$50 per barrel. Alberta's conventional oil and gas production is falling off, and in the past quarter exploration levels have declined, albeit from very high levels. Growing investment in the non-conventional oil sector means 54 projects valued at over $100 billion have been approved or announced. More recently, three major projects (Albian Sands, Kearl Lake, and Voyageur) valued at over $13 billion were approved by Alberta's energy regulator.

Agriculture

Overall, 2006 was not a banner year for profitability in this sector. Cattle prices are considerably lower than a year ago, having declined in direct relation to the large increase in barley (feed) prices. Total inventory numbers are down as a result of larger cow slaughter, combined with increased live animal exports.

This year, new rules (which are unlikely to take effect in 2007) have been proposed by the United States Department of Agriculture to allow exports of live Canadian cattle over the age of 30 months to resume, which would be a positive change for producers of breeding livestock. A recent vote by barley producers in support of choice in marketing their product will eliminate the Canadian Wheat Board's monopoly on barley sales. Several programs have been announced to support agricultural producers: a $1 billion federal government commitment to overhauling Canadian Agricultural Income Stabilization ("CAIS"); a $70 million Alberta-only initiative to supplement support provided by CAIS; and a nearly $40 million investment in the Alberta beef industry to assist in meeting requirements for removal of specified risk material from all animal feed.

The Agriculture and Agri-Food Canada 2007 preliminary forecast suggests continued improvement in Alberta farm cash receipts, with a projected increase of 4.1% to a record $8.5 billion. Overall cash receipts will continue to be pressured by the higher Canadian dollar. The outlook for this year hinges on the supply of feed grains; with increased demand from the bio-fuels sector, analysts indicate that grain prices will continue to be strong, to the detriment of feeder livestock prices. Livestock producers will be looking for good moisture conditions to drive ample supply of pasture for grass cattle, to add weight at the lowest cost. Uncertainty regarding global supply and demand conditions remains a strong factor in addition to other factors such as: US crop conditions, weather and growing conditions in other major producing countries, import demand from China, European Union export subsidies, ocean freight rates, and the Canada/US exchange rate.

Currency Exchange Rates

The Canadian dollar has traded at or above 85 cents since the end of 2005. The recent rise to 90 cents can be attributed to increased commodity prices, merger and acquisition activity, and the secular fall in the US dollar. Canadian businesses appear to be responding to the higher Canadian dollar by substituting capital for labour and focusing on more profitable lines of business. A higher Canadian dollar is beneficial as the costs of imported machinery, equipment, and consumer items fall, but does make it less profitable to export commodity and manufactured products priced in US dollars.

Interest Rates

Short-term rates in the US and Canada have remained stable over the past year since the Federal Reserve stopped raising rates in July 2006. With the decline in housing prices and weakness extending into the auto sector, a reduction in US short-term rates may take place later in the year. Nevertheless, employment in the US has remained resilient and inflation concerns from high commodity prices and rising import prices suggest a fall in interest rates is not a foregone conclusion. While the US current account deficit has improved marginally, there remains a risk that foreign investors will demand higher rates of interest to continue to invest in US dollar securities. In Canada, the recent Bank of Canada announcement reaffirms an economy operating at capacity. With a strengthening dollar and concerns about

competitiveness, the central bank may be reluctant to boost rates significantly. Longer-term rates have moved down significantly since last summer in Canada and remain low by historical standards. The yield curve remains very flat, providing incentives to borrowers to lock in for longer terms and depositors to roll-over their deposits more frequently.

Labour Market

Alberta continues to experience the tightest labour market in the country in spite of the highest levels of in-migration ever. In 2006, Alberta received on a net basis nearly 80,000 immigrants from other provinces and other countries. From March of last year, Alberta's labour force grew by 100,000 and employment rose by almost 95,000 leaving the unemployment rate up slightly at 3.6%. Alberta accounted for almost one quarter of all jobs created in Canada over the past year. Recent indicators suggest a slowdown in employment may be occurring as persons elect to leave the province due to high housing costs and improved opportunities in neighbouring provinces. This may contribute to rising wage pressures in the province.

Housing Starts

Housing starts were a record 48,962 in 2006, a historic high after an equally robust 2005. In 2007, we are expecting another outstanding year of home building, likely to exceed 45,000 starts. Over the past year, the new house price index showed construction price increases in the range of 30% to 50% compared to a national average of around 10%. In 2006, resale housing prices in the Calgary region rose dramatically in the first half of the year and have since stabilized. Edmonton area has seen prices rise significantly over the past six months. Affordability remains a major concern, particularly for young people and persons entering Alberta from other jurisdictions. Rental accommodation throughout the province is at a premium, in part exacerbated by conversions of rental properties into condominiums. With the average price of single family homes well over $350 thousand in major urban areas, we expect to see builders focusing on the construction of multiple-unit complexes.

Growth Prospects

Economic prospects for Alberta continue to look very promising for the medium term given the continued investment in oil sands extraction and upgrading. Real GDP growth for the province is expected to be 3.8% in 2007 and to keep this pace again in 2008. The investment boom in northeast Alberta will continue as new oil sands projects begin the construction phase. As noted above, given the political instability in many of the world's oil exporting regions, we anticipate oil prices will remain above US$50 a barrel. Natural gas prices are also expected to remain in the $6/mcf to $7/mcf range over the next several years. Conventional gas production is expected to fall and coal bed methane production may replace some of the declines in reserves.

Challenges

Alberta and western Canada are enjoying a resource boom not unlike that experienced in the 1970s. Labour shortages remain the biggest challenge to Alberta businesses seeking motivated, highly trained staff. The availability and cost of housing is also an impediment to bringing in employees from outside Alberta. In addition to recruiting and training new employees, Alberta businesses will be faced with large numbers of workers that are eligible for retirement. The loss of experience and skill of these workers will affect productivity. As employers seek to attract and retain employees, wages will rise, making Alberta businesses less competitive.

Addressing the province's "infrastructure deficit" has been identified as a key priority by the provincial government. Rapid escalation in prices of public projects reflects capacity shortages in the construction sector. These pressures are unlikely to abate in the near term. In this environment, increasing labour productivity must become a central priority for businesses. Finally, the growing public concerns over climate change, the environment and greenhouse gases, and federal and provincial governments' responses to those concerns, may have profound short- and long-term effects on existing and proposed oil sands and upgrader investments.

Implications to ATB

Alberta's economy remains the strongest and most dynamic in the nation. Strong mortgage growth will continue and businesses will look to financial institutions to finance their expansion in response to the huge investment boom. Retail sales will remain very strong as in-migration, rising salaries, and high levels of residential building support that sector. While conventional oil and gas drilling has fallen off significantly in 2007, it is expected that as costs stabilize or begin to fall, more activity will resume. In this time of labour shortages, recruiting and retaining associates to support ATB's growth will continue to be a major challenge. The prime interest rate in Canada will likely remain stable over the next year while intense price competition will continue, likely resulting in a moderate reduction in net interest spreads. The credit environment will continue to remain very strong given this economy, although ATB is monitoring this very closely to ensure we are prepared for the inevitable turn in this element of our business.

2006-07 Performance and 2007-08 Objectives

ATB's continued focus on the Triple Win includes a commitment to accountability and transparency in reporting our performance. As detailed below, of the eight specific financial objectives for the 2006-07 fiscal year presented in last year's annual report, we exceeded our goal on seven measures and marginally failed to achieve our goal against one single measure. Detailed analysis of our 2006-07 operating results and our financial position as at March 31, 2007, may be found beginning on pages 29 and 37, respectively.

Performance measure	Last year's objective	2006-07 results achieved	2007-08 objective
Return on average assets	1.10 to 1.20%	1.44% – Exceeded goal	1.20 to 1.30%
Net interest spread	2.90 to 3.00%	3.06% – Exceeded goal	2.90 to 3.00%
Other income as a percentage of total operating revenues	24 to 26%	23.91% – Under goal	23 to 25%
Operating revenue growth	14 to 16%	21.62% – Exceeded goal	10 to 12%
Credit losses as a percentage of average loans	0.10 to 0.20%	(0.03%) – Exceeded goal	0.10 to 0.20%
Efficiency ratio	65 to 68%	64.18% – Exceeded goal	64 to 67%
Performing loan growth	11 to 13%	14.40% – Exceeded goal	11 to 13%
Retail deposit growth	6 to 8%	13.77% – Exceeded goal	7 to 9%

For the upcoming 2007-08 fiscal year, we anticipate continued strong growth in retail deposits (albeit at a lower rate than the tremendous pace achieved in the 2006-07 year) and very strong growth in performing loans (in line with our 2006-07 plan), and we expect our efficiency ratio to hold or worsen slightly compared to the past year's before improving further in subsequent years. The significant growth expected in our loan and deposit balances is expected to more than compensate for the slight decrease anticipated in average spread to be earned over the 2007-08 year compared to last year's.

Overall, we expect net income for the 2007-08 fiscal year to be between $255 million and $270 million. This forecast reflects a decrease of between 1% and 7% from the $274.4 million earned in the 2006-07 fiscal year. We expect improved results from operations in almost every respect except for the provision for credit losses where we expect to return to a more "normal" provision for losses rather than the net recovery experienced in 2006-07 (or the nominal provision in 2005-06). Refer to the following section of the MD&A for a more detailed analysis of these expectations.

REVIEW OF 2006-07 CONSOLIDATED OPERATING RESULTS

Overview and Key Performance Measures

For the year ended March 31, 2007, or the 2006-07 fiscal year, ATB Financial ("ATB") earned net income ("NI") of $274.4 million, up 38.08% from the $198.7 million earned in 2005-06.

Operating revenue for 2006-07 was $751.5 million, up $133.6 million or 21.62% from the prior year's $617.9 million and up $213.4 million or 39.66% from 2004-05. This reflects a strong increase in net interest income ("NII") (up 23.70% from 2005-06 and up 43.40% compared to 2004-05) supported by increased other income ("OI") (up 15.45% and 28.97% compared to last year and 2004-05, respectively).

2006-07 saw a small net recovery against NI from our credit loss experience and related provisions. A $5.2 million net recovery of provision for credit losses was recognized this year as compared to a $0.7 million net provision for credit losses in 2005-06 and a $14.6 million net recovery in 2004-05. The 2006-07 credit experience reflects a one-time $24.3 million release (or recovery) of the provision for general loan losses following the implementation of an updated and enhanced general loan loss allowance ("GLLA") model; otherwise, ATB would have incurred a net provision for credit losses as would normally be expected given our growth in the loan portfolio over the year. It should be noted that the 2005-06 net recovery includes an $8.0 million recovery from the reversal of the remaining balance of a special general allowance for Bovine Spongiform Encephalopathy ("BSE") first established in June 2003. The 2004-05 results also include a recovery of the BSE allowance of $9.5 million.

Non-interest expenses ("NIE") grew significantly in 2006-07 and amounted to $482.3 million—an increase of $63.8 million or 15.25%. This compares to an increase in operating revenue of $133.6 million or 21.62%. Roughly 80% of the expense increase was planned for, reflecting ATB's ongoing plan for continued growth of our business and inflationary pressures including compensation increases for our associates. The variance to our 2006-07 plan, only $10.8 million or 2.28% of budgeted spend, was driven by higher-than-anticipated associate compensation and data-processing costs.

Return on Average Assets

($ in thousands)	**2007**	2007 vs 2006 Increase (decrease)		2006	2005
Net income	**$ 274,388**	$ 75,667	38.08%	$ 198,721	$ 187,313
Average total assets	**$ 19,100,127**	$ 2,527,977	15.25%	$ 16,572,150	$ 14,782,477
Return on average assets	**1.44%**	0.24%	19.80%	1.20%	1.27%

Return on average assets for the 2006-07 fiscal year was 1.44%, up noticeably from the 2005-06 year's 1.20% return and well ahead of the targeted return of between 1.10% and 1.20%. This positive variance against plan reflects our NI having exceeded plan by more than our actual average asset growth exceeded plan.

Outlook for Fiscal Year 2007-08—Return on Average Assets

We are targeting a return on average assets in the range of 1.20% to 1.30% for fiscal 2007-08. This target is based on anticipated NI in the range of $255.0 million to $270.0 million and average total assets in excess of $21.50 billion. These objectives reflect our expectation for increased NII (as forecast portfolio growth will more than compensate for a slight expected decrease in net spreads earned).

OI is also expected to continue to grow more rapidly than in recent years. We are forecasting our credit loss experiences will return to more normal levels and that our efficiency ratios will stabilize in the short term and then continue to show moderate improvement.

Overall, we continue to look forward to healthy performance with overall return on average assets continuing well above 1%.

Other Key Performance Measures

	2008	2007		2006	2005
(Amounts in %)	Target	Actual	Target	Actual	Actual
Net interest spread on average earning assets	2.9 to 3.0	3.06	2.9 to 3.0	2.85	2.76
Other income to operating revenue	23.0 to 25.0	23.91	24.0 to 26.0	25.19	25.89
Non-interest expenses to operating revenue	64.0 to 67.0	64.18	65.0 to 68.0	67.73	67.90
Credit losses to average net loans	0.1 to 0.2	(0.03)	0.1 to 0.2	0.00	(0.12)

Net interest spread earned for 2006-07 on our average interest-earning assets was 3.06%, six basis points ahead of the upper end of the year's target range and up 21 basis points from the prior year's 2.85%. This primarily reflects decompression from rising prime rates (up 50 basis points over the past fiscal year and 125 basis points over the preceding 2005-06 year) partially offset by continued strong competition from other financial institutions. Refer to page 31 for further analysis of NII and spread.

OI as a proportion of operating revenue decreased again during 2006-07, but in dollar terms was up $24.0 million or 15.45% from last year's total. This strong increase was due, in large part, to the continued above-plan growth of our Investor Services line and strong contributions from our personal and business MasterCard programs. See below for further discussion of operating revenue.

Our efficiency ratio, or the ratio of NIE to operating revenue, was 64.18% for the 2006-07 fiscal year. This ratio has improved significantly from last year's 67.73%. Refer to page 36 for further analysis of NIE.

Our provision for credit losses this year, measured as a percentage of average net loans outstanding during the year, was better than the 2006-07 plan, and improved from the prior year's small net provision (or expense). The apparent volatility in this performance measure over the last year reflects several significant events further analyzed on page 35, most notably a $24.3 million non-recurring gain this past year from refinements to our GLLA model.

Operating Revenue

Operating revenue consists of NII and OI.

Operating Revenue

		2007 vs 2006			
($ in thousands)	2007	Increase (decrease)		2006	2005
Net interest income	$ 571,805	$ 109,554	23.70%	$ 462,251	$ 398,746
Other income	179,661	24,040	15.45%	155,621	139,308
Operating revenue	$ 751,466	$ 133,594	21.62%	$ 617,872	$ 538,054

Operating revenue for the 2006-07 fiscal year increased by $133.6 million or 21.62% from the prior year and by 39.66% from 2004-05. The increase from last year is driven predominantly by growth in NII, though OI increased noticeably as well. Refer to page 34 for additional analysis of OI. NII is up 23.70% from last year, reflecting both increased net spread earned on interest-earning assets and liabilities and the strong growth in our performing loan and deposit portfolios. See below for an additional analysis of NII and spread.

Outlook for Fiscal Year 2007-08—Operating Revenue

Our target for next fiscal year is to increase operating revenue by 10% to 12%. This target reflects expected increases in both NII (driven by continued growth in interest-earning assets partially offset by a slight reduction forecasted in net spread) and OI (driven by continued growth in our Investor Services business and MasterCard revenue).

Net Interest Income

Net interest income ("NII") represents the difference between interest earned on assets such as securities and loans and interest paid on liabilities such as deposits.

Net Interest Income, Margin, and Spread Earned

	Average balances			Interest			Average rate (%)		
($ in thousands)	2007	2006	2005	2007	2006	2005	2007	2006	2005
Assets									
Deposits with banks and securities	$ 2,714,742	$ 2,143,852	$ 1,800,311	$ 118,208	$ 65,928	$ 42,045	4.35	3.08	2.34
Loans									
Mortgage	6,651,201	6,099,975	5,608,858	337,920	289,965	271,281	5.08	4.75	4.84
Consumer	2,956,707	2,461,896	2,103,326	200,095	142,274	114,836	6.77	5.78	5.46
Other	6,355,000	5,501,757	4,932,048	422,059	316,502	271,721	6.64	5.75	5.51
	15,962,908	14,063,628	12,644,232	960,074	748,741	657,838	6.01	5.32	5.20
Total earning assets	18,677,650	16,207,480	14,444,543	1,078,282	814,669	699,883	5.77	5.03	4.85
Non-earning assets	422,477	364,670	337,934	–	–	–	–	–	–
Total assets	$19,100,127	$16,572,150	$14,782,477	$ 1,078,282	$ 814,669	$ 699,883	5.65	4.92	4.73
Liabilities and equity									
Deposits									
Demand	$ 4,875,267	$ 4,082,098	$ 3,417,380	$ 58,911	$ 28,275	$ 15,030	1.21	0.69	0.44
Notice	2,219,771	1,634,287	1,234,308	55,140	23,176	10,509	2.48	1.42	0.85
Fixed-term	10,155,232	9,281,421	8,786,286	389,092	297,543	272,252	3.83	3.21	3.10
Total deposits	17,250,270	14,997,806	13,437,974	503,143	348,994	297,791	2.92	2.33	2.22
Non-interest-bearing liabilities	286,615	246,980	228,596	–	–	–	–	–	–
Subordinated debentures	67,960	70,090	60,636	3,334	3,424	3,346	4.91	4.89	5.52
Equity	1,495,282	1,257,274	1,055,271	–	–	–	–	–	–
Total liabilities and equity	$19,100,127	$16,572,150	$14,782,477	$ 506,477	$ 352,418	$ 301,137	2.65	2.13	2.03
Net interest margin	n/a	n/a	n/a	$ 571,805	$ 462,251	$ 398,746	2.99	2.79	2.70
Net interest spread	n/a	n/a	n/a	n/a	n/a	n/a	3.06	2.85	2.76

Net Interest Margin

Net interest margin is the ratio of NII to average total assets. Net interest margin increased from 2.79% last year to 2.99% for 2006-07. This increase is consistent with our increase in net interest spread, discussed below.

Net Interest Spread

One key performance measure we use to evaluate our financial performance is net interest spread, which is the ratio of NII to average earning assets. Our net interest spread for fiscal 2006-07 was 3.06% compared to a targeted range of 2.9% to 3.0% and a fiscal 2005-06 level of 2.85%. We exceeded our target this year in large part because of higher-than-expected increases in the average Canadian prime interest rates compared to our expectations a year ago. Prime rates rose by 50 basis points in the first quarter of 2006-07 after having risen 125 basis points in the preceding 2005-06 fiscal year. Average prime rates for 2006-07 were higher than we had anticipated, which boosted our net spread. Our ability to capture more of these higher-than-anticipated prime rate levels in our net spread earned continues to be constrained by intense competition for retail loan and deposit business in Alberta.

Industry average is based on published financial results of the five major Canadian banks plus National Bank and Canadian Western Bank for their fiscal year ended October 31, 2006.

ATB has exceeded the industry average net interest spread earned every year since our 1999-2000 fiscal year. The principal reasons for this are that we consistently maintain a proportionately larger retail deposit base and have a smaller share of the corporate deposit market than the typical major Canadian bank. Further, ATB has a markedly lower level of leverage than the publicly owned chartered banks whose equity and debt structures are more complex than ATB's. Reduced use of leverage by ATB lowers the return we earn on our equity but does result in higher net interest margin and spread.

Change in Net Interest Income

($ in thousands)	2007 vs 2006 Increase (decrease) due to changes in Volume	Rate	Net change	2006 vs 2005 Increase (decrease) due to changes in Volume	Rate	Net change
Assets						
Deposits with other financial institutions and securities	$ 24,858	$ 27,422	$ 52,280	$ 8,023	$ 15,860	$ 23,883
Loans						
Mortgage	28,006	19,949	47,955	23,754	(5,070)	18,684
Consumer	33,486	24,335	57,821	19,577	7,861	27,438
Other	56,667	48,890	105,557	31,387	13,394	44,781
Total loans	118,159	93,174	211,333	74,718	16,185	90,903
Change in interest income	$ 143,017	$ 120,596	$ 263,613	$ 82,741	$ 32,045	$ 114,786
Liabilities						
Deposits						
Demand	$ (9,584)	$ (21,052)	$ (30,636)	$ (2,924)	$ (10,321)	$ (13,245)
Notice	(14,544)	(17,420)	(31,964)	(3,405)	(9,262)	(12,667)
Fixed-term	(33,480)	(58,069)	(91,549)	(15,342)	(9,949)	(25,291)
Total deposits	(57,608)	(96,541)	(154,149)	(21,671)	(29,532)	(51,203)
Subordinated debentures	105	(15)	90	(522)	444	(78)
Change in interest expense	$ (57,503)	$ (96,556)	$ (154,059)	$ (22,193)	$ (29,088)	$ (51,281)
Change in net interest income	$ 85,514	$ 24,040	$ 109,554	$ 60,548	$ 2,957	$ 63,505

As presented in the preceding table, the largest single driver of the growth in NII over the 2006-07 year (as measured by dollars contributed, not by percentage of increase) was the tremendous increase in the volume of our loan portfolio. In every major component of our loan portfolio, contributions from increased volumes outpaced the contributions from increased rates of interest earned. The opposite was true for every major component of our deposit portfolio where the negative contribution to NII was driven more by increased rates of interest paid on deposits than by the increased volume of deposits.

Outlook for Fiscal Year 2007-08—Net Interest Spread

Our target for next fiscal year is to earn net interest spread in the range of 2.9% to 3.0%, down slightly from this past year's results. This target reflects our expectation that Canadian prime interest rates will remain flat for virtually all of the upcoming fiscal year or decrease slightly, and that the costs of our retail deposits will continue to increase in the face of continued strong price competition from other financial institutions in the Alberta marketplace.

Other Income

Other income ("OI") consists of all operating revenue not classified as NII.

Other Income

($ in thousands)	2007	2007 vs 2006 Increase (decrease)		2006	2005
Service charges	$ 68,241	$ 3,966	6.17%	$ 64,275	$ 60,227
Credit fees	29,738	(330)	(1.10%)	30,068	29,525
Investor Services	28,526	10,532	58.53%	17,994	8,632
Card fees	27,919	4,270	18.06%	23,649	18,599
Insurance	10,789	639	6.30%	10,150	11,468
Foreign exchange	8,625	1,174	15.76%	7,451	6,689
Sundry	5,823	3,789	186.28%	2,034	4,168
	$ 179,661	$ 24,040	15.45%	$ 155,621	$ 139,308

OI was $179.7 million for fiscal 2006-07, an increase of $24.0 million or 15.45% compared to last year's $155.6 million. Investor Services-related activities continue to have a significant impact on OI, up $10.5 million from last year. This growth was driven by their continued success increasing the assets under their administration or management, which exceed $3.71 billion as at March 31, 2007. Refer to page 50 in the Review of Business Segments section of the MD&A for further commentary on Investor Services. The second-largest contributor to the 2006-07 growth was the $4.3 million increase in card fees earned, reflecting another strong year of growth in ATB's MasterCard balances. The growth in service charges was driven primarily by increased volume of business.

The sundry component of OI increased $3.8 million in 2006-07. The largest contributor to this component was a one-time gain on the initial recognition and partial redemption of shares in MasterCard International, distributed to ATB in connection with MasterCard's initial public offering in May 2006. This partial redemption, together with unrealized gains on the remaining shares, contributed nearly $3.1 million to earnings. The second-largest contributor related to changes in the fair value of derivative contracts that do not qualify for hedge accounting, which are recognized in income as the market values of the contracts change. The net effect of the accounting for these mark-to-market gains or losses for the 2006-07 year was a gain of $1.0 million compared to a gain of less than $0.1 million in 2005-06. Refer to page 71, in the Risk Management section of the MD&A, for a discussion of our use of derivatives, and to Note 14 in the financial statements for a discussion of the relevant accounting policy.

The ratio of OI to operating revenue this year is 23.91%—down 128 basis points from 25.19% last year, and slightly below our 2006-07 objective. This decrease from last year simply reflects that NII increased beyond the planned targets proportionately more than OI did. OI in 2006-07 increased by $24.0 million from the prior year and by $40.4 million compared to 2004-05.

Our ratio of OI to operating income is expected to continue to be significantly less than that of all the major Canadian banks, as ATB does not generate revenue from trading, investment banking, or major brokerage activities.

Outlook for Fiscal Year 2007-08—Other Income as Percentage of Total Operating Revenue

Our targeted ratio of OI to operating revenue for the upcoming 2007-08 fiscal year is 23% to 25%, in line with 2006-07's actual ratio of 23.91%. This target reflects our expectation that the growth in OI will continue to be proportionate to the growth in NII. As with the past year, the bulk of the growth in OI is expected from our Investor Services activities.

Provision for (Recovery of) Credit Losses

ATB's results for the 2006-07 fiscal year reflect a $5.2 million recovery of credit losses (or income) as compared to a net provision (or expense) of $0.7 million for the prior year. As indicated in the table below, our net provision in fiscal 2006-07 reflects a $3.3 million net decrease in the general loan loss allowance ("GLLA"). This net amount is driven by a significant one-time recovery in the second quarter following the introduction of an enhanced and updated GLLA model. The new model has been updated to more accurately reflect the risk profile (and expected default rates) of ATB's consumer and non-consumer loan portfolios. (Refer to Note 7 to the consolidated financial statements for further detail.) On validation and acceptance of the new model, management reassessed the appropriate level of GLLA and released $24.3 million of the allowance. This non-recurring gain was mostly offset by a net $21.1 million increase in the allowance (as determined in the new model) to provide against our growing loan portfolio. This net decrease in the general allowance was complemented by positive performance in our specific allowances where our recoveries and reversals of specific allowances from prior years exceeded new provisions by $1.9 million.

Provision for (Recovery of) Credit Losses

		2007 vs 2006			
($ in thousands)	**2007**	Increase (decrease)		2006	2005
New specific provisions	**$ 11,607**	$ (6,198)	(34.81%)	$ 17,805	$ 22,982
Reversal of previous allowances	**(8,341)**	7,679	47.93%	(16,020)	(14,557)
Recoveries of prior write-offs	**(5,205)**	162	3.02%	(5,367)	(6,129)
Specific provisions for credit losses	**(1,939)**	1,643	45.87%	(3,582)	2,296
Increase (decrease) in:					
General allowance	**(3,272)**	(15,542)	(126.67%)	12,270	(7,390)
Special general allowance for BSE	–	8,000	100.00%	(8,000)	(9,500)
	$ (5,211)	$ (5,899)	(857.41%)	$ 688	$ (14,594)
Provision as a percentage of average net loans	**(0.03%)**	(0.03%)	(713.24%)	0.00%	(0.12%)

The remaining balance of the special general allowance that was established in June 2003 in the amount of $29.4 million following the discovery of BSE in Alberta was fully recovered in fiscal 2005-06, increasing the loan loss recovery by $8.0 million. The 2004-05 results also include $9.5 million recovery of this special allowance. There were no special allowances in fiscal 2006-07.

The ratio of the annual provision for credit losses to average net loans was negative 0.03% for fiscal 2006-07, slightly exceeding 2005-06, which was close to zero. These ratios were lower in both years than our target ratio of 0.10% to 0.20%. ATB continues to benefit from the strength of the Alberta economy and the resulting positive credit environment, and we continue to maintain an emphasis on strong credit and effective loss limitation practices, thus minimizing our credit loss experience.

The provision for credit losses and our approach to credit risk management is discussed further beginning on page 61, in the Credit Risk section of the MD&A.

Outlook for Fiscal Year 2007-08—Credit Losses as Percentage of Average Loans

Our expectation for fiscal 2007-08 is a return to a more normal experience as the one-time lift experienced this year on introduction of the new GLLA model will not repeat, and growth in the loan portfolio will be the primary driver of changes in the amount of credit allowances. Accordingly, we are targeting the ratio of credit losses to average loan balances to fall in the range of 0.10% to 0.20% for 2007-08.

Non-Interest Expenses and Efficiency

Non-interest expenses ("NIE") consist of all expenses incurred by ATB except for interest expense and any provision for (or recovery of) credit losses.

Non-Interest Expenses and Efficiency

		2007 vs 2006			
($ in thousands)	**2007**	Increase (decrease)		2006	2005
Human resources	**$ 258,192**	$ 36,922	16.69%	$ 221,270	$ 190,876
Data processing	**60,176**	7,006	13.18%	53,170	46,535
Premises and occupancy	**43,078**	5,942	16.00%	37,136	35,894
Professional and consulting	**26,816**	4,466	19.98%	22,350	13,627
Equipment and software	**20,275**	864	4.45%	19,411	18,179
Marketing and supplies	**19,432**	1,484	8.27%	17,948	15,156
Other	**17,116**	6,410	59.87%	10,706	10,749
Communication	**14,793**	676	4.79%	14,117	12,380
Deposit guarantee fee	**14,156**	(1,080)	(7.09%)	15,236	15,784
ATB agencies	**8,255**	1,136	15.96%	7,119	6,155
	$ 482,289	$ 63,826	15.25%	$ 418,463	$ 365,335
Efficiency ratio	**64.18%**	(3.55%)	(5.24%)	67.73%	67.90%

NIE amounted to $482.3 million for fiscal 2006-07, an increase of $63.8 million or 15.25% compared to the 2005-06 year's total of $418.5 million.

By far the largest dollar increase, as in the prior year, continues to be costs associated with human resources, such as salaries, wages and benefits, variable compensation, and training. The increase reflects planned increases in compensation levels along with increased staffing levels to support new branches, higher business volumes throughout the organization, and the continued expansion of our Investor Services line of business. On a headcount basis, our total number of associates increased by 8.68% during the year. On an average full-time equivalent basis, the number of associates increased by 5.92% over the year, from 3,462 as at March 31, 2006, to 3,666 as at March 31, 2007.

Data processing is our second-largest category of NIE and has increased noticeably in 2006-07 from the prior year. The majority of the $7.0 million increase relates to increased data-processing charges from service providers and higher software application maintenance charges. The increases in other non-interest expense categories are generally reflections of the increased activity levels at ATB this fiscal year compared to last.

ATB pays a deposit guarantee fee to the Province of Alberta in compensation for the unlimited principal and interest guarantee provided by the Province to our depositors. The fee is assessed on total deposits outstanding as at the end of each fiscal year, both retail and wholesale. Since 2003, the fee payable on deposits has been reduced to rates consistent with the Canada Deposit Insurance Corporation's ("CDIC's") risk-based premium methodology. All deposits are subject to a fee of 1.389 basis points on the first $100,000 and 1/6 of 1% on deposits in excess of $100,000. The deposit guarantee fee expensed for 2006-07 decreased compared to the prior year, reflecting a retroactive rate adjustment of prior year fees of $1.8 million, agreed after the prior fiscal year was closed. Further, the upper level for deposits subject to the lower-rate fee was increased from $60,000 last year to $100,000 this year, resulting in an increased number of deposits falling into the lower-rate tier. The impact of this adjustment was largely offset by an increase in the deposit balances subject to the fee.

Efficiency Ratio

ATB's efficiency ratio is the ratio of NIE to operating revenue. We use this ratio as a key performance measure of our expense efficiency. The lower the ratio, the better the efficiency.

Our efficiency ratio was 64.18% for fiscal 2006-07, better than our targeted range of 65% to 68% and an improvement from last year's ratio of 67.73%. The 2006-07 ratio decreased from last year's as increases in NIE were proportionally lower than increases in operating revenues.

Outlook for Fiscal Year 2007-08—Efficiency Ratio

We have targeted the efficiency ratio for fiscal 2007-08 to hold steady or increase (worsen) somewhat, with a forecast range of 64% to 67%. This reflects our plan to invest in growth initiatives, customer-facing technology enhancements, and compensation increases, and to strengthen our support infrastructure. This is not expected to be a trend; the ratio is expected to moderately decline (improve) after fiscal 2007-08.

REVIEW OF MARCH 31, 2007, CONSOLIDATED FINANCIAL POSITION

Overview and Key Performance Measures

Key Performance Measures

	2008	2007		2006	2005
(%)	Target	Actual	Target	Actual	Actual
Performing loan growth	11.0 to 13.0	**14.40**	**11.0 to 13.0**	13.08	8.30
Retail deposit growth	7.0 to 9.0	**13.77**	**6.0 to 8.0**	14.85	3.74

ATB's financial position is driven primarily by the performance of our loan and deposit portfolios. Significant changes in our loan and deposit balances are, in turn, driven primarily by the performance of the Alberta economy (at least in the short term). The growth of both portfolios is also impacted by the interest rate environment, though to differing degrees. The prime interest rate environment stabilized part-way through the 2006-07 year, following five separate prime rate increases totalling 1.25% in the last seven months of the 2005-06 year and then two more 25 basis point increases in April and May 2006. From June onwards, the prime rate held stable at 6%.

Our loan growth experience during 2006-07 was very strong, exceeding last year's rate by a comfortable margin and outpacing the year's target range of 11% to 13%. The single-largest factor behind this growth may be attributed to the general strength of the Alberta economy. Relatively strong energy and commodity prices continued to support buoyed expansion in the non-conventional energy sectors and merger-related activities in the conventional energy sectors. These continue to stimulate our mid-market commercial customers' need for credit, despite the increases in interest rates earlier in the year. The personal loans and residential mortgage components of the portfolio also grew (driven by high levels of new housing starts) and together contributed more to the overall portfolio increase than did the increase in business loans. Our loan portfolio is analyzed in detail on pages 63 and 65, in the Risk Management section of the MD&A.

The 2006-07 fiscal year saw another tremendous jump in our retail deposits, with total balances increasing by $2.01 billion over the course of the year (following $1.89 billion growth over the 2005-06 year). The rate of growth in retail deposits was 13.77%, down somewhat from the prior year 14.85% growth rate but well above the high end of our targeted growth range of 6% to 8%. The prime rate increases late in 2005-06 and early in 2006-07 did little to facilitate growth in our personal deposit balances, especially fixed-date deposits and registered retirement accounts. These categories were essentially flat over the year, primarily reflecting the strong competition financial institutions faced for consumers' funds from both consumer spending and other investment opportunities. Our personal deposit portfolio grew $0.45 billion,

generally attributable to the continued strength of the Alberta economy that buoyed salary and wage levels of our customers. This was mitigated by a continuing trend in investor preferences to shift away from conventional bank deposits towards money market funds and other investment vehicles (such as mutual funds) not reflected on the balance sheets of financial institutions. Our business retail and money desk deposits drove the overall increase in the retail deposit balances, increasing by $0.87 billion and by $0.65 billion, respectively, as Alberta businesses deposited excess cash earnings derived from the strong economy in general and continued high commodity prices in particular. Refer to pages 40 and 41 for further discussion of deposits.

Total and Average Assets

ATB's total assets were over $20.29 billion as at March 31, 2007, an increase of more than $2.64 billion or 15.00% from $17.65 billion as at March 31, 2006. This increase in total assets was driven primarily by growth in our net loan portfolio, which increased by nearly $2.15 billion over the course of the 2006-07 fiscal year.

Liquid Assets—Cash and Securities

As a financial institution, maintaining a sufficient pool of liquidity is an operational imperative. Liquid assets consist of cash resources and securities.

Liquid Assets

		2007 vs 2006			
($ in thousands)	2007	Increase (decrease)		2006	2005
Cash resources	$ 1,095,614	$ 41,489	3.94%	$ 1,054,125	$ 953,523
Securities	1,684,821	303,377	21.96%	1,381,444	932,511
Total liquid assets	$ 2,780,435	$ 344,866	14.16%	$ 2,435,569	$ 1,886,034
As a percentage of total assets	13.70%	(0.10%)	(0.72%)	13.80%	12.26%

Liquidity levels, defined as the percentage that liquid assets represent of total assets, dipped slightly during fiscal 2006-07, as growth in our loan portfolio slightly outpaced growth in our liquid assets. ATB's internal policies have established our optimal target liquidity level as approximately 14% to 16% and our minimum liquidity level as 10%. These target and minimum liquidity levels naturally rise as ATB continues to grow and reflect our increasing cash flow requirements driven by larger commercial loan balances, strong growth in the more volatile retail deposit accounts having shorter duration, and the corresponding increased collateral requirements for the Bank of Canada. Our liquidity risk and the related management strategies are discussed in greater detail on page 73, in the Risk Management section.

To support our participation in Canadian clearing and payment systems, a portion of our liquid assets is pledged as collateral. See Note 15 to the statements for details.

Loans, Net of Allowances for Credit Losses

Loans and Allowances

($ in thousands)	2007	2007 vs 2006 Increase (decrease)		2006	2005
Gross loans	**$ 17,148,163**	$ 2,140,265	14.26%	$ 15,007,898	$ 13,306,111
Less: specific allowances	**(12,007)**	4,098	25.45%	(16,105)	(27,365)
Net loans	**17,136,156**	2,144,363	14.30%	14,991,793	13,278,746
Less: general allowances	**(141,827)**	3,272	2.26%	(145,099)	(140,829)
Loans, net of allowances	**$ 16,994,329**	$ 2,147,635	14.47%	$ 14,846,694	$ 13,137,917

Loans, net of allowances for credit losses, increased by $2.15 billion from the previous year to $16.99 billion as at March 31, 2007. This overall increase in net loans represented 14.47% growth over last year, exceeding the high end of our 2006-07 targeted growth range of 11% to 13%. This excess against plan was due, in large part, to the continued strength of the healthy Alberta energy sector and high commodity prices it enjoyed over the year that, while providing positive cash flows to most sectors, stimulated personal consumer and business investment as well as corporate merger and acquisition activity, resulting in a strong net boost to loan balances. Residential mortgage loans and other personal loans contributed $0.59 billion and $0.62 billion of the increase in gross loans, collectively exceeding the strong growth of $0.89 billion in all business loans.

Our loan portfolio and the related allowances for credit losses are discussed further beginning on page 66, in the Credit Risk section.

Outlook for Fiscal Year 2007-08—Performing Loan Growth

We are targeting overall growth in our performing loan balance of 11% to 13% in 2007-08 based on our expectation of continued strong growth in personal and residential mortgage loans buoyed by the strong Alberta economy and, in particular, the ongoing robust housing market. We also expect continued growth across the business loan portfolio—in the agri-business sector and the independent business and mid-market corporate sectors.

Remaining Assets

ATB's remaining assets are comprised primarily of accrued interest receivable, premises and equipment (net of accumulated amortization), and other smaller amounts. (See Notes 8 and 9 to the statements for details.)

Remaining Assets

($ in thousands)	2007	2007 vs 2006 Increase (decrease)		2006	2005
Premises and equipment, net	**$ 177,561**	$ 43,082	32.04%	$ 134,479	$ 110,067
Accrued interest receivable	**146,292**	20,697	16.48%	125,595	126,272
Other	**196,101**	90,623	85.92%	105,478	120,942
	$ 519,954	$ 154,402	42.24%	$ 365,552	$ 357,281

The net balance for premises and equipment increased by $43.1 million over the course of 2006-07, up from the $24.4 million increase over the 2005-06 year. The 2006-07 increase reflects $72.3 million (2006: $52.3 million) of net capital expenditures during the year. Leasehold improvement costs increased by $32.4 million (2006: $13.3 million), due in large part to new retail expansion, with four new branch openings in Calgary and three branch relocations. Computer equipment and software costs increased by $33.7 million (2006: $33.1 million) as a result of information technology ("IT") infrastructure spend during the year.

The growth in accrued interest receivable reflects 14.40% overall growth in performing loan balances as at March 31, 2007, compared to the prior year-end, supplemented by a smaller contribution from the increased levels of interest earned by ATB on those loans.

The increase in other remaining assets reflects an increase in ATB's accrued pension benefit asset (see Note 13 for details) and an increase in obligations due from other financial institutions for cheques and other items in transit. The latter balance can fluctuate day to day as part of normal business operations.

Outlook for Fiscal Year 2007-08—Capital Expenditures

ATB continues to target a significant expansion of our retail branch network in Edmonton, Calgary, and other high growth markets, along with renovations or relocations of branches in the rural areas and smaller urban centres. We are expecting the completion of construction and opening of four new branches in 2007-08. Total capital expenditures budgeted for the 2007-08 year are $93.0 million, including $24.0 million for facilities construction and renovations, $18.0 million for IT infrastructure, $22.6 million for customer-facing technology and process improvements, and $28.4 million for customer and corporate-supporting technology and process improvements.

Deposits

As is typical for any financial institution, ATB has two principal sources of deposits—our personal and business or commercial deposits, primarily sourced through our retail network, and our wholesale deposits, which consist primarily of bearer deposit notes and mid-term notes issued on our behalf by the Province of Alberta and sold to other financial institutions.

Deposits by Category

($ in thousands)	Payable on demand	Payable after notice	Payable on fixed date	Total	Percentage of total
2007					
Retail					
Personal	$ 1,567,492	$ 1,753,260	$ 5,836,071	$ 9,156,823	50.17%
Business and other	3,576,237	830,779	3,023,020	7,430,036	40.70%
Wholesale	–	–	1,665,979	1,665,979	9.13%
	$ 5,143,729	$ 2,584,039	$10,525,070	$18,252,838	100.0%
	28.18%	14.16%	57.66%	100.00%	
2006					
Retail					
Personal	$ 1,483,305	$ 1,352,790	$ 5,639,524	$ 8,475,619	53.40%
Business and other	3,008,870	540,997	2,553,445	6,103,312	38.46%
Wholesale	–	–	1,291,377	1,291,377	8.14%
	$ 4,492,175	$ 1,893,787	$ 9,484,346	$ 15,870,308	100.00%
	28.31%	11.93%	59.76%	100.00%	

During 2006-07, total deposits increased by $2.38 billion to end the fiscal year at $18.25 billion. Retail deposits grew by $2.01 billion, or 13.77%. We far exceeded our 2006-07 targeted range for retail deposit growth of 6% to 8%.

The strong growth in retail deposits reflects mixed performance across the deposit portfolio. Fixed-date deposit balances increased slightly from levels of a year ago and registered deposit balances actually decreased slightly—these

two effects essentially offset one another. Other personal retail deposits grew significantly, up $0.45 billion from last year-end, virtually all of which can be attributed to our daily interest savings account products.

Growth in business deposits was much higher than expected, both in business retail deposits (up $0.87 billion or 24.45%) and in money desk deposits (up $0.65 billion or 29.95%). This growth reflects continued strong positive cash flows to businesses across most sectors of the economy (excepting many conventional energy firms), but especially from those customers in the non-conventional energy and related sectors whose cash balances continued to be supported by strong commodity prices over the past year.

Our wholesale deposits are used as a source of funds to supplement retail deposits in supporting our lending activities and the balances outstanding can fluctuate significantly over the course of each year to compensate for fluctuations in our retail deposit balances. Our operating agreement with the Province of Alberta currently limits the total volume of such deposits to $3.5 billion, up from $2.5 billion last year.

Outlook for Fiscal Year 2007-08—Growth in Retail Deposits

We are targeting a retail deposit growth rate of 7% to 9% for 2007-08. This objective reflects our continuing plans to expand our retail presence in the major Alberta urban areas, supporting growth in our personal deposit base. We also anticipate continued volatility in business deposits.

Remaining Liabilities

ATB's remaining liabilities are comprised primarily of accrued interest payable, subordinated debentures, and other smaller amounts. (See Notes 11 and 12 to the statements, respectively, for details).

Remaining Liabilities

		2007 vs 2006			
($ in thousands)	**2007**	Increase (decrease)		2006	2005
Accrued interest payable	**$ 156,675**	$ 22,914	17.13%	$ 133,761	$ 137,058
Subordinated debentures	**72,242**	663	0.93%	71,579	65,719
Other	**189,580**	(33,592)	(15.05%)	223,172	188,149
	$ 418,497	$ (10,015)	(2.34%)	$ 428,512	$ 390,926

The growth in accrued interest payable reflects the 15.01% overall growth in the deposit balances payable as at March 31, 2007, compared to the prior year-end, complemented by a smaller contribution from the increased cost of interest on such deposits, driven primarily by strong competition for deposits in the Alberta market and, to a lesser extent, the 50 basis point increase in the prime rate early in 2006-07.

The nominal increase in the balance of subordinated debentures outstanding at the end of fiscal 2006-07 simply reflects our annual issuance of new debentures in payment of our obligation to the Province of Alberta for the deposit guarantee fee for the preceding fiscal year, offset by the repayment of debentures that matured during the year.

The decrease in other remaining liabilities reflects an increase in accounts payable and accrued liabilities, more than offset by a significant decrease in net obligations to other financial institutions for cheques and other items in transit. The latter balances fluctuate day to day as part of normal business operations.

Financial Instruments

Like all financial institutions, ATB's Consolidated Balance Sheet consists largely of financial instruments and our operating results are driven by income and expenses related to financial instruments.

Using financial instruments exposes ATB to various market risks (including interest risk, currency risk, and equity or commodity price risk) and to credit and counterparty risk. These risks and how ATB manages them are discussed at length in the Risk Management section of the MD&A that begins on page 59 of this annual report.

Details about how we determine the fair value of financial instruments are included in the Accounting Policies and Estimates discussion that begins on page 54. The difference between the fair value of financial instruments and values reported in the statements are detailed in Note 18 to the statements.

Regulatory Capital

ATB's equity levels have significantly improved over the past six years, and as at March 31, 2007, our regulatory capital was 12.39% of risk-weighted assets, up from 12.05% a year ago. ATB's regulatory capital and risk-weighted asset calculations are broadly comparable to the "pre-Basel II" capital calculations for financial institutions regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). Our calculations are determined by the ATB Regulation that provides a transitional provision to credit ATB with "notional capital" in lieu of equity that the stakeholder might have otherwise invested in ATB. This transitional provision expired during the 2006-07 year.

As set forth in the following table, our regulatory capital (excluding any amounts in respect of transitional provisions for "notional capital" as at March 31, 2006 and 2005) consists of retained earnings, eligible subordinated debt, and a percentage of our general loan loss allowance.

Regulatory Capital and Capital Ratios

($ in thousands)	2007	2007 vs 2006 Increase (decrease)		2006	2005
Tier 1 capital					
Equity	$ 1,623,383	$ 274,388	20.34%	$ 1,348,995	$ 1,150,274
Tier 2 capital					
Eligible portions of:					
Subordinated debentures	28,124	(1,047)	(3.59%)	29,171	27,701
General allowance for credit losses	125,446	18,820	17.65%	106,626	91,961
	153,570	17,773	13.09%	135,797	119,662
Total regulatory capital	$ 1,776,953	$ 292,161	19.68%	$ 1,484,792	$ 1,269,936
Total risk-weighted assets	$14,336,656	$ 2,010,502	16.31%	$ 12,326,154	$ 10,509,867
Risk-weighted capital ratios *(%)*					
Tier 1 capital ratio	11.32%	0.38%	3.47%	10.94%	10.94%
Total capital ratio	12.39%	0.34%	2.82%	12.05%	12.08%
Assets to capital multiple	11.42	(0.47)	(3.95%)	11.89	12.11
Capital to assets ratio	8.76%	0.35%	4.16%	8.41%	8.26%

Our Tier 1 capital was 11.32% of risk-weighted assets and total capital was 12.39% of risk-weighted assets as at March 31, 2007. Though we are not subject to regulation by OSFI, we are mindful of their requirements as the industry standards for other financial institutions in Canada. Following OSFI's pre-Basel II methodology, ATB's minimum Tier 1 capital requirement is 7.00% and total capital requirement is 10.00%. Our asset-to-capital multiple was 11.42 times, which is also well below OSFI's maximum level of 20 times.

Total risk-weighted assets is determined through the application of industry-standard weightings to ATB's on- and off-balance sheet assets as follows:

Risk-Weighted Assets

		2007				2006		2005
($ in thousands)	Risk-weighting percentage	On- or off-balance sheet value	Risk-weighted value	2007 vs 2006 Risk-weighted value increase (decrease)		On- or off-balance sheet value	Risk-weighted value	Risk-weighted value
Balance sheet amounts								
Cash resources	0-20	**$ 1,095,614**	**$ 230,565**	$ 35,231	18.04%	$ 1,054,125	$ 195,334	$ 177,178
Securities	0-100	**1,684,821**	**1,647,310**	278,460	20.34%	1,381,444	1,368,850	918,852
Mortgages	0-100	**6,965,985**	**2,008,815**	151,075	8.13%	6,378,725	1,857,740	1,716,139
Other loans	0-100	**10,028,344**	**9,343,020**	900,471	10.67%	8,467,969	8,442,549	7,223,811
Other assets	20-100	**519,954**	**466,398**	144,990	45.11%	365,552	321,408	320,862
Total balance sheet amounts		**20,294,718**	**13,696,108**	1,510,227	12.39%	17,647,815	12,185,881	10,356,842
Off-balance sheet amounts								
Guarantees and letters of credit	50-100	**7,570,584**	**617,724**	508,842	467.33%	144,632	108,882	110,066
Derivative financial instruments	50	**4,228,122**	**22,824**	(8,567)	(27.29%)	1,679,110	31,391	42,959
Total off-balance sheet amounts		**11,798,706**	**640,548**	500,275	356.64%	1,823,742	140,273	153,025
Total risk-weighted assets		**$32,093,424**	**$14,336,656**	$ 2,010,502	16.31%	$ 19,471,557	$ 12,326,154	$ 10,509,867

Outlook for Fiscal Year 2007-08—Regulatory Capital

Over the upcoming 2007-08 fiscal year, we expect our capital levels will continue to exceed both our regulatory and our internal policy requirements for prudent and responsible management of our business as a financial services institution.

Off-Balance Sheet Arrangements

In the normal course of operations as a financial institution, ATB participates in a variety of financial transactions that, under Canadian GAAP, are either not recorded on the Consolidated Balance Sheet or are recorded at different amounts from the full notional or contract amount. These off-balance sheet arrangements normally involve, among other risks, at least some element of market, credit, and liquidity risk and are discussed in further detail in the Risk Management section of the MD&A that begins on page 59. Examples of such arrangements in which ATB participates include derivative financial instruments, various credit instruments, and other contractual obligations.

Derivative Financial Instruments

As part of our routine risk-management processes, we enter into various derivative financial instruments to manage our exposure to interest, currency, and other market risks inherent in our corporate portfolios of securities, loans, and deposits. During 2006-07, ATB launched a new "client derivatives" product offering whereby we provide derivative financial instruments to clients to assist them in managing their exposure to commodity or foreign currency risk.

For commodity derivatives, we, in turn, enter into offsetting transactions with financial institution counterparties, to manage our own exposure. For foreign currency derivatives, we can either accept the position as part of our own risk-management program or enter into offsetting transactions with financial institution counterparties.

For any such transactions that involve any obligation for counterparties to pay an amount to ATB, we are also exposed to counterparty credit risk. Refer to Note 14 to the statements for a detailed discussion of the derivative instruments we use, derivative-related risk, and a complete description of our derivative portfolio as at March 31, 2007.

Any derivative instruments in place as at March 31, 2007, that qualify for hedge accounting under the requirements of Canadian GAAP are reflected in the Consolidated Balance Sheet at amortized cost, whereas derivatives that do not qualify for hedge accounting are recorded at fair value. The accounting and valuation methodologies for all derivatives are described in Note 14 to the statements.

Credit Instruments

In the normal course of lending activities, ATB enters into various commitments to provide customers with sources of credit. These typically include credit commitments for loans and related credit facilities (including revolving facilities, lines of credit, overdraft, credit card authorized limits, etc.). To the extent a customer's authorized limit on a facility exceeds their outstanding balance drawn as at March 31, 2007, we consider the undrawn portion to represent a credit commitment.

For demand facilities, we still consider the undrawn portion to represent a commitment to our customer; however, the terms of the commitment are such that ATB would be able to adjust the credit exposure if circumstances warranted doing so. Accordingly, from a risk-management perspective these demand facilities are considered to represent a lesser exposure than facilities that have extended commitment terms.

For a detailed description of these arrangements, including the maximum amount of additional credit ATB may be obligated to extend as at March 31, 2007 (and the portion thereof that relates to demand facilities), refer to Note 15 to the statements.

Contractual Obligations

During its normal daily operations, ATB enters into various contractual obligations to make future payments in respect of certain purchase transactions and operating leases. Details of these obligations are disclosed in Note 15 to the statements. We are also obligated to make future interest payments in respect of our subordinated debentures as disclosed in Note 12 to the statements.

REVIEW OF BUSINESS SEGMENTS

Operating Results by Segment

ATB Financial ("ATB") is organized into three customer-focused lines of business: Personal and Business Financial Services ("PBFS"), Corporate Financial Services ("CFS"), and Investor Services ("IS").

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedule are consistent with those followed in preparing the consolidated financial statements as disclosed in the Notes to the Consolidated Financial Statements. As these lines of business are based on ATB's internal management structure, readers are cautioned that they may not be comparable to those of other financial institutions.

Operating Results by Segment

($ in thousands)	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other business units	Total
For the year ended March 31, 2007					
Net interest income	$ 423,176	$ 62,515	$ 5,127	$ 80,987	$ 571,805
Other income	119,462	14,901	28,969	16,329	179,661
(Recovery of) provision for loan losses	(8,699)	12,003	–	(8,515)	(5,211)
Non-interest expenses	385,403	19,279	36,069	41,538	482,289
Net income (loss)	$ 165,934	$ 46,134	$ (1,973)	$ 64,293	$ 274,388
Increase (decrease) from 2006					
Net interest income	$ 63,115	$ 14,567	$ 1,975	$ 29,897	$ 109,554
Other income	10,098	2,559	10,673	710	24,040
(Recovery of) provision for loan losses	(23,012)	6,835	–	10,278	(5,899)
Non-interest expenses	48,521	2,678	5,272	7,355	63,826
Net income (loss)	$ 47,704	$ 7,613	$ 7,376	$ 12,974	$ 75,667
For the year ended March 31, 2006					
Net interest income	$ 360,061	$ 47,948	$ 3,152	$ 51,090	$ 462,251
Other income	109,364	12,342	18,296	15,619	155,621
Provision for (recovery of) loan losses	14,313	5,168	–	(18,793)	688
Non-interest expenses	336,882	16,601	30,797	34,183	418,463
Net income (loss)	$ 118,230	$ 38,521	$ (9,349)	$ 51,319	$ 198,721
For the year ended March 31, 2005					
Net interest income	$ 323,441	$ 40,395	$ –	$ 34,910	$ 398,746
Other income	105,973	10,913	10,337	12,085	139,308
Provision for (recovery of) loan losses	8,392	(215)	–	(22,771)	(14,594)
Non-interest expenses	300,954	13,703	22,301	28,377	365,335
Net income (loss)	$ 120,068	$ 37,820	$ (11,964)	$ 41,389	$ 187,313

Determination of Segmented Reporting

The manner in which ATB determines the revenues, expenses, assets, and liabilities attributable to the various lines of business is disclosed in Note 20 to the statements.

Readers are cautioned that the net interest income ("NII"), other income ("OI"), and non-interest expenses ("NIE") reported for each line may also include certain inter-line charges. The net effects of the internal funds transfer pricing ("FTP") and inter-line charges, if any, are offset by amounts reported for other business units.

Personal and Business Financial Services

Overview

PBFS represents the core of ATB's operations and is our largest line of business. It is responsible for serving our personal, independent business, and agri-business customers through our network of branches, agencies, direct sales force, Customer Contact Centre, and electronic channels.

Business Plan Summary

ATB has the largest network of branches and agencies in Alberta. We also have the largest number of financial service professionals in the province, providing our distinctive brand of personal service to more than 600,000 customers. Our competitive advantage is personal service, rooted in a long-standing culture of customer service. The sales philosophy at ATB is to help customers understand their needs and then satisfy those needs with an "ATB Financial solution." We will do the right thing for each customer, every time, ensuring customers feel welcomed, understood, helped, appreciated, and respected.

ATB's challenge is to continue to offer exceptional personal service while delivering fair financial returns. We are building a relevant market presence in the largest and fastest-growing cities of Edmonton and Calgary, where we are currently underrepresented and rapidly expanding our branch and customer service capabilities. At the same time, we intend to retain and, in targeted areas, enhance our strong market presence in rural Alberta communities. We continue to make significant investments in all our customer-facing technologies to provide exceptional personal service across the province in the most efficient manner possible.

2006-07 Accomplishments

Our sales and service delivery program continued in fiscal 2006-07. Its purpose is to fully modernize the core retail financial services franchise to achieve sustainable, competitive financial performance and is diversifying our income by focusing on deeper, more productive customer relationships through better understanding their needs. We have increased our service-based revenue through ancillary products such as credit cards, merchant services, loan protection, and referrals to IS. Customers with all or most of their financial products at ATB are more satisfied and loyal and, as we deepen relationships with customers, we increase customer profitability over time.

We continue to streamline and modernize our operational and sales fulfillment processes to improve efficiency, service quality, and risk management. A new customer service application has now been introduced to all our branches, revolutionizing the technology available to our front-line associates and helping them to serve our customers better.

We are still building new branches in Calgary and Edmonton to provide competitive coverage in the fastest-growing markets in Alberta. During fiscal 2006-07, four new branches were opened in Calgary and three branches in other Alberta communities were relocated to new facilities.

To raise our profile further in these key markets, we continued our "personal service" marketing campaign. Using print, radio, billboard, transit, and television, the campaign is successfully raising awareness of ATB in these key markets.

Our MasterCard programs continue to span three distinct markets: consumer, small business (and agri-business), and corporate expense cards. We introduced several competitive product offerings this past year, including the following new reward cards: Agri-Industry BusinessCard Rewards, BusinessCard Rewards, and Alberta My Rewards. A new consumer rewards co-branded MasterCard was launched to the market on January 1, 2007. The Calgary Co-op MasterCard® is exclusively designed for members of the Calgary Co-op and has no annual fee. ATB paid out a record volume of cash rebates to ATB Platinum MasterCard and ATB Gold MasterCard Cash Rebate cardholders who used their card for purchases throughout the year. We continue to review credit card policies and refine them where appropriate to ensure they continue to meet the needs of our customers and ATB as a whole.

MasterCard Canada, Visa Canada, and Interac Association are working together to introduce CHIP technology to the Canadian market over the next several years. As part of the introduction of this technology, a market trial organized by these Canadian payment associations with other Canadian financial institutions will start in the spring of 2008 in Kitchener-Waterloo, Ontario. ATB expects to start issuing credit cards featuring the new CHIP technology to our customers in 2008—providing them with greater peace of mind through the enhanced security provided by the new technology.

Much change has transpired over the past year with realigning Personal Financial Services and Business Sales and Service platforms into one line of business. This was integrally important to ensure our objective of being able to serve our customers better—by aligning our business associates across all retail branches and allowing them to work collectively to meet customers' needs through one convenient location. Therefore, during fiscal 2006-07, responsibility for providing superior sales and service to those business clients with total loan connections of less than $2.0 million was moved to our regional vice-presidents in each region. Relationships over $2.0 million were reviewed case by case and transitioned to CFS to better address issues of industry specialization and business complexity. With these adjustments to our structure, we improved the interaction between our branch and business associates, brought greater focus to our largest business customer segments, and added the level of specialization necessary to manage our larger client connections.

2006-07 was a year of learning and building on all the changes from the previous year. Following the successful introduction of a new line of business leader, we reorganized certain reporting lines to provide better support to our associates, reducing the number of direct reports per leader so more time could be spent training and developing our teams. We also re-aligned our business loan centres to re-emphasize customer service accountability for our independent business and agri-industry sales associates. Following these changes, we are seeing an incremental improvement in PBFS's ability to meet our customers' needs in providing significantly shorter turnaround times and stronger internal partnerships focused on delivering the high level of customer service and experience PBFS is committed to providing.

Credit processes continue to be a large focus in Business Sales and Service. They allow us to meet our customers' needs, be competitive in our marketplace, and start down the path of specialization to bring valued-added service to our customers. A business credit process review has been completed—its recommendations will be reviewed and implementation will follow soon after. Credit Express, a new process where we can provide quick turnaround on applications under $250 thousand, is ready to be rolled out. Lastly, we are now ready to deliver new credit policy guidelines, which have been reviewed and rewritten to provide stronger direction and understanding, and to reflect enablers indicative of our marketplace.

We continue to progress toward the goal of being an employer of choice by retaining, attracting, and developing talented and engaged associates who are focused on customer needs.

2007-08 Objectives

We will continue to contribute to the success of the enterprise by providing a superior experience for our customers, offering products and services of value, and developing efficient processes. This will be accomplished by focusing on our customers, our service channels, our products and services, our processes, and our people.

We will provide greater value to our customers by developing better insight into their needs, their interests, and their perceptions of ATB. We have an ongoing focus and investment in retail sales effectiveness, which is branded as "The ATB Way." This will allow us to focus on ensuring our sales and service associates are empowered to get the job done for our clients by removing unnecessary barriers to providing exceptional service.

During fiscal 2007-08, we will continue to focus on improving our associates' operational efficiencies, retaining and growing our existing clients, and increasing our associates' sales production. We expect to continue to increase our branch network in the short term, and continue efforts to ensure existing branches are well located and appropriately configured.

Given the impact of recruitment challenges, we will identify those roles and locations where it makes sense to recruit proactively to fill anticipated needs. We have redeveloped our training programs for key roles to provide better quality training, so recruits are better equipped to fill our branch vacancies. We will continue our focus on employee engagement through our strong reward and recognition activities and retention programs.

We are continuously improving our processes and investing capital dollars into technology and programs to improve efficiencies. This will facilitate continued growth amid a difficult employment market.

We have created a customer relationship builder program, which will integrate all our sales channels with a clear contact program designed to build client loyalty and increase of share of wallet with existing clients. Our retail clients remain the backbone of ATB and we will raise the level of sales and service we provide to this critical business segment. Product development is critical in this business, and we need to be nimble: we will need to become a fast-follower in some instances, a leader in others, and decide not to compete at all where appropriate.

Over the last several years, we have invested in technology, process changes, and sales and service training. We now need to realize increased sales production from these initiatives. We will hold our leaders accountable to ensure our sales and service associates are engaged in the right activities.

We believe all of these objectives will, collectively, allow ATB to meet the challenge of enhancing the exceptional personal service we offer to our customers while delivering acceptable financial returns.

Corporate Financial Services

Overview

CFS is responsible for managing relationships with ATB's larger or more complex business clients, now typically those with ATB loan balances over $2.0 million and with more complex banking requirements. These include the energy, commercial, and food and forestry sectors. The line's primary targets are those clients conducting business in the mid-market space who contribute to strengthening Alberta's economy. These client relationships are managed by teams in Calgary and Edmonton. Relationship managers in Grande Prairie, Red Deer, and Lethbridge provide service and support to our clients in the northern, central, and southern areas of the province.

Business Plan Summary

The goal of CFS is to be the leading financial institution for mid-market companies across selected industry sectors in Alberta. Value to this market is provided through detailed analysis of these sectors, having specialists that concentrate on particular industries with local decision-making, and a focus on customer service. The growth opportunities for CFS are substantial; consequently, the strategic objective of CFS is to attain a 20% share of the Alberta mid-market.

With high liquidity available to clients due to the strong Alberta economy, the trend has been for larger participants in the market to access funding from sources other than debt financing. In addition to the standard market competition, some sectors (such as energy) continue to see an influx of debt and equity providers from the United Kingdom and Europe, along with an expansion of public-equity liquidity through the increased activity of private-equity funds. The ongoing strength of the Alberta economy, and a ready supply of capital for most growing businesses, continues to force financial institutions to work even harder to attract and retain clients. CFS therefore concentrates on a value proposition focused on intimate service relationships and industry specialization.

2006-07 Accomplishments

The business strength of the Alberta economy resulted in marginally increased levels of debt utilization in the energy sector and decreased utilization in the diversified sector. Nevertheless, due to strong growth, loan balances exceeded plan, and the strength of our customers also resulted in substantially increased deposit balances. Increased levels of liquidity in the system meant that spreads and fees were under considerable competitive pressure during the year. The resulting decreased yields were offset, however, by the increased business activity, and the net contribution from CFS exceeded plan.

During 2006-07, CFS increased its lending capability and geographic diversification by hiring additional expert sales staff in the business lines of energy, commercial, and food and forestry, and by growing the loan book in the syndicated market. Specialized customer service roles were introduced to attend to the non-lending needs of CFS clients, and borrowing has been made easier through streamlining the loan documentation process.

During 2006-07, ATB also introduced its new client derivatives group with an initial focus on serving CFS clients. This initiative offers new commodity and foreign-exchange derivative products to existing clients for risk-management purposes and creates opportunities to attract new clients. It also creates strategic value, by contributing to CFS's revenue and market share growth in its core market. This business opportunity expands CFS's service offerings, making it a more self-sustaining entity. It opens another channel to provide more services to existing customers and will bring CFS's product line closer to its competitors' offerings.

2007-08 Objectives

The goal for 2007-08 is to continue to build on this year's successes. CFS will continue with the mission to double direct contribution by fiscal 2009-10 compared to fiscal 2005-06 levels. This will be achieved through leveraging the key strengths of customized debt products, our CFS executive leaders, local credit-decisioning, and industry specialization.

Though faced with the challenge of reduced needs for debt financing, CFS is working toward increasing the contribution it makes to ATB through continued development of business relationships and more sophisticated non-loan product offerings. CFS is increasing support of our corporate and business financial service specialists and creating more specialized, industry-focused groups. It is also launching new, more proactive marketing efforts to allow CFS to retain existing clients and attract new ones, increase the profile of CFS and what it offers, and do its part to help ATB become the financial institution of choice in the Alberta mid-market.

Investor Services

Overview

IS is the fastest-growing line of business at ATB since being established as a separate line in fiscal 2002-03. The line is responsible for growing, protecting, and transferring wealth for our customers. IS delivers strategic, unbiased investment advice, solid returns aligned with customer objectives, and attentive, dedicated personal service through its network of professional advisors committed to the "Your Life. Your Plan." promise. The continued development of this line is the key component of the overall corporate plan to reduce ATB's dependency on interest-based income.

Business Plan Summary

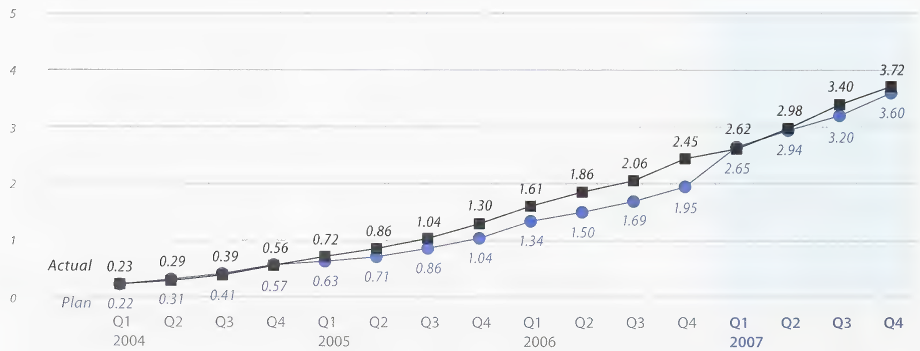
Referrals of existing ATB customers to IS are critical for this business line's growth, as is continuing to build a competent sales force committed to its value proposition of individualized investment plans based on unbiased advice. IS is focused on profitable growth while ensuring long-term customer retention. The plan for growth will be achieved through leveraging its unique value proposition and trusted brand to repatriate the investment assets of as many as possible of those ATB customers who may still deal with our competitors, and through acquiring new customers by leveraging referrals from our existing IS customers.

To date, key areas of focus have been expanding the advisory team, enhancing our capabilities, and improving our infrastructure and service product offerings, while continuing to increase our marketing efforts. These areas continue to be priorities going forward, with additional focus on serving the needs of existing customers, managing risk, and realizing efficiency gains from operations.

2006-07 Accomplishments

Assets Managed vs. Plan (Sales - Redemption + Market)

($ billions, excluding bank products held off book)



Client assets under management and administration grew by $1.27 billion during the year to $3.72 billion as at March 31, 2007, up from $2.45 billion a year ago. This growth was $107.1 million higher than plan, which will result in higher net income ("NI") earned by the line going forward. Assets grew by 51.4% vs. industry growth rates of 13.3%. A major factor contributing to our growth was the addition of new customers this year, enough to grow our customer

base by 21.2%. We increased our advisor force over the year by 16% while maintaining our very high levels of per-person productivity. The strength of the IS value proposition is now reaching beyond the ATB franchise as 30% of growth in the past year came from acquiring clients who had no connection to ATB. Our securities dealer, ATB Securities, has been the fastest-growing securities dealer in Canada for the past two years.

The previous year's objective of growing revenue at twice the rate of expenses was achieved as revenues grew by 59% against a 17% increase in expenses. This was significantly aided by our ability to achieve scale in our back-office operations as we increased volume by 12% without increasing staffing levels. Engagement of the IS team rose substantially over the year and is now at the level of the best companies in Canada. Our already high level of customer satisfaction increased again to nearly 20% higher than the Alberta market average (as measured by an independent third party). Our dedicated advisors managing our high-net-worth clients achieved our highest customer satisfaction scores, one-third higher than the same Alberta average.

2007-08 Objectives

Our objectives for 2007-08 are focused on improving service levels while continuing our rapid pace of growth. We intend to enhance our core capabilities while maintaining leading advisor productivity and effective control over risk. In particular, we plan to:

- maintain our internal referrals and expand our external prospect-generation capabilities to provide our advisors with larger volumes of quality prospects and leads;
- expand our advisor force again by nearly 25% through a mainly organic recruitment and training strategy;
- continue to enhance our focus on customer service and retention by providing our sales force with a "best practices" approach to reviewing customers' progress towards goals and enhancing our compensation system to reward excellent service levels;
- expand our recently launched insurance brokerage subsidiary;
- expand on our successful private investment management business;
- develop and begin to implement a comprehensive information technology ("IT") strategy;
- improve our private investment management customers' experience by substantially improving our portfolio management system;
- continue to improve enterprise and operational risk management by enhancing our control systems and processes; and
- maintain our strong focus on associate engagement and satisfaction by addressing specific engagement issues.

2007-08 Targets

Our targets for 2007-08 include:

- revenue growth of 45% versus expense growth of 23%;
- $4 million in direct contribution with a 10% return on capital; and
- growth of $1.4 billion in customer assets under management and administration.

Other Business Units

Overview

Other business units represent business units dedicated to supporting our lines of business (such as Credit) and corporate or head-office business units whose results are either not directly attributable to an operating segment or are strictly corporate in nature (such as Human Resources, Finance, IT, and Treasury).

Business Plan Summary

The focus of these other business units is providing effective and efficient service to our internal partners and on developing and enhancing corporate-wide enablers for success in the line of business segments.

2006-07 Accomplishments

Significant accomplishments over the course of the 2006-07 fiscal year included:

1. Continuing to build a professional, competent, and engaged team of associates through:
   - delivery of enhanced sales training to the PBFS line of business;
   - development of a comprehensive training orientation program for front-line associates;
   - implementation of key attraction and retention strategies, updating of compensation programs, and redesigned benefit programs; and
   - completion of the roll-out of enhanced compliance training, including privacy, code of conduct, anti-money laundering, and occupational health and safety; and enhancement of our on-line learning delivery capabilities.
2. Delivering tools to the business to enhance market share potential through:
   - enhanced advertising through all mediums for ATB's products; and
   - improved ability to understand ATB's customer base, through the development of a new marketing information system and campaign-based management tools.
3. Enhancing our focus on improving productivity and delivering better business information through:
   - substantially completing investments in document management, imaging, and work-flow technologies to enhance the scalability of processes supporting PBFS; and
   - developing on-line scorecards across PBFS to electronically produce and distribute key performance metrics.
4. Continuing to improve our capability to manage risk on an enterprise-wide basis through:
   - continuing significant IT investments to upgrade infrastructure and increase information security to ensure it continues to meet the latest standards; and
   - completing the pilot stage of our Internal Controls Over Financial Reporting ("ICOFR") management program (patterned on a C-SOX compliance approach) and moving into operational assessment of key business processes.

2007-08 Objectives

Major planned deliverables for the upcoming 2007-08 fiscal year include the following:

1. Providing support to delivery of the line of business-led programs to deliver an exceptional, superior service experience to our customers through:
    - improving the data in our marketing information system and increasing our ability to understand ATB's customer base, measuring and anticipating the value of customer needs, and accurately measuring customer-specific performance utilizing business intelligence technology infrastructure introduced in 2006-07;
    - continuing to invest in technologies that move us towards a flexible and customized IT structure with specialized information management tools to support new products and services; and
    - continuing to facilitate new branch construction in key urban markets and modernizing our rural branch network.
2. Preserving and building a highly skilled and engaged team of associates through:
    - continuing development of ATB's culture and leadership style, including clarification of mandates and enhanced delegation of authority across the organization and the implementation of a targeted recruitment campaign, highlighting ATB as an employer of choice;
    - improving employee engagement year over year by updating compensation programs, enhancing human resources processes and policies, implementing corporate and local engagement programs, assessing and improving workforce diversity, and developing and implementing targeted retention strategies;
    - developing innovative and flexible rewards and recognition programs, including launch of a flexible benefits program; and
    - improving our processes for training and developing our associates through an enterprise-wide assessment of workforce planning and training needs, linking training plans to both workforce and succession plans as they are developed, tracking associate training through an enhanced on-line learning management system, and providing continued training in sales effectiveness, compliance, and branch roles.
3. Balancing fair returns with effective risk-management practices through:
    - supporting the improvement of business performance through optimization of procurement and supply management processes, improving spread management, and improving information and processes to manage product profitability and enhance the project priority-setting process to manage capital and resources more effectively and to better measure realized benefits;
    - continuing enhancements to credit risk management, including an update and improvement of business and consumer lending guidelines and processes and improving scoring models for small business loans to improve efficiency and consistency of approvals;
    - supporting ongoing efforts to enhance our ability to manage financial risks through developing alternate sources of funding; and
    - maintaining our efforts to continuously improve our management of operational risk, including technical enhancements to our ability to comply with increasingly stringent anti-money laundering requirements, continued roll-out of the ICOFR management program, and enhancements to IT information security and recoverability capabilities in the face of constantly evolving requirements.

ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Policies

ATB's significant accounting policies are outlined beginning in Note 2 and then throughout the remainder of the Notes to the Consolidated Financial Statements. These policies are essential to understanding and interpreting the financial results presented in this MD&A and in the statements. Please refer to the Notes to the statements beginning on page 92 of this annual report for specific accounting policies.

Critical Accounting Estimates

Certain accounting estimates made by management during preparation of the statements are considered critical in that management is required to make significant estimates and judgments considered to be subjective or complex about matters that are inherently uncertain, and because it is possible that significantly different amounts could be reported if different estimates or judgments had been made. The following accounting policies require such estimates or judgments:

Allowance for Credit Losses

The allowance for credit losses adjusts the net carrying value of loan assets to reflect the expectation of credit losses incurred as of the balance sheet date, whether specifically identified or not. In assessing credit losses incurred, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These include economic factors, developments affecting companies in particular industries, and specific issues with respect to individual borrowers.

Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments and may require an increase or decrease in the allowance for credit losses. Further information on the process and methodology for determining the allowance for credit losses is contained in the discussion on Credit Risk beginning on page 61 and in Note 7 to the statements.

Amortization of Premises and Equipment

The expense recognized for amortization of premises and equipment depends on the estimated useful lives and salvage values of such assets. Management has derived estimates for these values based on past experiences and its judgment regarding future expectations. If actual experience differs from management's estimates, amortization expense could increase or decrease in future years. Further information regarding our accounting for premises and equipment is contained in Note 8 to the statements.

Assumptions Underlying the Accounting for Employee Future Benefits

ATB engages actuarial consultants to calculate valuation of pension benefit obligations for our defined benefit pension plans based on assumptions determined by management. The most significant of these assumptions include the long-term rate of return on pension assets, the rate of future compensation increases, discount rates for pension obligations, and the inflation rate. If actual experience differs from the assumptions made by management, our pension benefit expense could increase or decrease in future years. Further information regarding our accounting for pension benefits is contained in Note 13 to the statements.

Fair Value of Derivative and Other Financial Instruments

The fair value of derivatives not subject to hedge accounting and on-balance sheet financial instruments, disclosed in Notes 14 and 18 to the statements, respectively, are estimates derived from complex valuation methodologies that necessarily involve significant estimates and may require professional judgment.

Changes in circumstances may cause future estimates of the fair value of derivatives not subject to hedge accounting to be materially different from current estimates and may require an increase or decrease in the related "mark-to-market" adjustments that would have a corresponding impact on other income.

Changes in circumstances may cause future estimates of the fair value of other financial instruments to be materially different from current estimates and may require an increase or decrease in the related amounts disclosed in Note 18 to the statements.

Current Year Changes in Accounting Policies

ATB has made no changes in accounting policies to conform to new accounting pronouncements issued by Canadian standard-setters in the current year, as none were relevant to our accounts.

Accounting for Employee Future Benefits

During the year, ATB implemented one minor refinement to its methodology to determine the actuarial value of plan assets and to develop management's best estimate of the expected long-term rate of return on plan assets, net of investment expenses. This change in accounting policy has been implemented prospectively as its impact was not significant to the 2006-07 or the 2005-06 consolidated accounts. Whereas the methods used in prior years reflected the expected return that would be earned by the plan's assets based on their market-related value (reflecting changes in the fair value of plan assets using a four-year moving average), ATB now uses market value of plan assets without any averaging adjustment.

Prior Years' Changes in Accounting Policies

There were no changes to ATB's significant accounting policies implemented in prior years, which impact comparative figures presented in the statements.

Future Changes in Accounting Policies

The following accounting policy changes are expected to impact ATB's accounting and reporting for the year ending March 31, 2008; see Note 21 for further details as to the anticipated impact of implementing these new policies.

Financial Instruments—Recognition and Measurement, Hedges, and Comprehensive Income

In January 2005, the CICA issued three new accounting standards: "Financial Instruments—Recognition and Measurement," "Hedges," and "Comprehensive Income." These new requirements will apply to ATB effective April 1, 2007, and will be adopted prospectively as of that date. The first set of financial statements to be impacted by these new standards will be the quarter ending June 30, 2007.

The principal impacts of these new policies on ATB's consolidated financial statements for the upcoming fiscal year 2007-08 are as follows:

- All financial assets and liabilities will be classified according to their characteristics, management's intention as to their future use or, in some cases, by management's choice of classification category. Depending on the classification, financial assets and liabilities will either be carried on the balance sheet at fair value or at amortized cost as measured on an effective yield basis.
- All derivative instruments will be carried on the balance sheet at fair value, either as a "derivative asset" or as a "derivative liability." This includes derivatives embedded in other contracts not already carried at fair value, where the derivatives are not considered to be closely related to the host contract.

- A new category of equity will be presented on the balance sheet—"accumulated other comprehensive income" ("AOCI").
- Depending on the classification, future changes in the fair value of certain financial assets or liabilities (unrealized gains or losses) may be recognized in net income ("NI") or in other comprehensive income ("OCI")—a new category of change in ATB's equity. Unrealized gains or losses previously recognized in OCI will, on realization, be removed from AOCI and recognized in NI.
- A new financial statement—the "Consolidated Statement of Changes in Equity"—will present the continuity of ATB's retained earnings and AOCI.
- Accounting requirements for hedges will change. Qualifying hedging relationships between derivative financial instruments and other financial assets or liabilities will be accounted for differently depending on whether the relationship is a cash flow hedge or a fair value hedge.
    - For cash flow hedges, the effective portion of any change in fair value of the hedging derivative will be recorded in OCI (and accumulated in AOCI). When NI is affected by any variability in the cash flow of the related financial asset or liability, the amounts previously recognized in AOCI will be recognized in net income. Any hedge ineffectiveness will be recognized in net income during the period of ineffectiveness.
    - For fair value hedges, any change in the fair value of the hedging derivative will be recognized in net income in the same period as the change in fair value of the financial asset or liability being hedged.

As these standards will be implemented prospectively, any impact of re-measuring financial instruments at fair value on April 1, 2007, will be recognized in opening retained earnings and opening AOCI as at that date and results for prior periods will not be restated.

ATB is presently reviewing the impact of these new standards. Consistent with other similar financial institutions, our balance sheet consists largely of financial assets and liabilities and many of our loan and deposit products contain features that need to be evaluated for possible embedded derivatives. These facts, combined with the complexity of the standards, require ATB to devote considerable resources to the implementation of these new accounting standards and our related accounting policies. That work is well under way but not yet complete. Accordingly, the ultimate impact of adopting these new accounting policies has not yet been determined.

Capital Disclosures

In December 2006, the CICA issued a new accounting standard for "Capital Disclosures" that will require the disclosure of certain qualitative and quantitative information regarding our objectives, policies, and processes for management of capital. This new standard will apply to ATB effective April 1, 2008, and will be adopted prospectively as of that date. Our first financial statements to be impacted by these new standards will be for the quarter ending June 30, 2008.

Financial Instruments—Disclosures and Presentation

In December 2006, the CICA also issued new accounting standards for "Financial Instruments—Disclosures" and "Financial Instruments—Presentation." These standards will complement the new standards on "Financial Instruments, Hedges, and Comprehensive Income" issued in January 2005 and will expand on the disclosure and presentation requirements contained therein. These new disclosure and presentation standards will apply to ATB effective April 1, 2008, and will be adopted prospectively as of that date. Our first financial statements to be impacted by these new standards will be for the quarter ending June 30, 2008.

REGULATORY AND COMPLIANCE

Overview

ATB and its subsidiaries are provincial Crown corporations operating under authority of the Alberta Treasury Branches Act, RSA Chapter A-37 (the "ATB Act"), and the Alberta Treasury Branches Regulation 187/1997 (the "ATB Regulation"), as amended. ATB and its subsidiaries follow investment, liquidity, capital adequacy, and risk-management standards broadly comparable to federally regulated financial institutions. Our investment, lending, liquidity, and hedging policies are described on page 59, in the Risk Management section of this MD&A.

The ATB Regulation provides specific regulatory requirements in the areas of capital adequacy, liquidity, hedging, investments, related party transactions, and lending policies. This regulatory framework is supplemented by specific guidelines respecting liquidity, the prudent person approach, derivatives best practices, outsourcing, and legislative compliance management. In June 2004, the ATB Regulation was amended to include a requirement for ATB to report to the Minister of Finance on its compliance with the ATB Act, the ATB Regulation, and the guidelines. The first report, as at March 31, 2005, was submitted to the Minister of Finance in September 2005 and the second report was submitted in September 2006. The process associated with the preparation of this report has now become entrenched as part of the operational processes of ATB.

In addition to the ATB Act and the ATB Regulation, three of ATB's four subsidiaries are subject to other independent regulatory oversight. ATB Securities Inc. operates under the jurisdiction of the Investment Dealers Association of Canada ("IDA"); ATB Investment Services Inc. is subject to the Mutual Fund Dealers Association of Canada ("MFDA"); and ATB Investment Management Inc. operates under the jurisdiction of the Alberta Securities Commission ("ASC"). Each subsidiary maintains a stringent and comprehensive compliance regime to ensure its daily operations comply with its respective IDA, MFDA, or ASC requirements.

ATB and all of its subsidiaries place significant emphasis on compliance with all applicable laws and regulations. As in 2005-06, our largest ongoing enterprise-wide compliance efforts are focused on privacy, anti-money laundering, and internal controls over financial reporting.

Privacy

ATB has been subject to the Personal Information Protection Act ("PIPA") since January 2004. PIPA governs the collection, use, and disclosure of personal information by organizations in a manner that recognizes both the right of an individual to have his or her personal information protected and the need of organizations to collect, use, or disclose personal information for purposes that are commercially reasonable.

ATB's management level privacy policy was approved in 2005-06, outlining expectations and requirements necessary to ensure compliance with PIPA and then ATB's privacy notice was replaced with a comprehensive privacy code. ATB's "Your Privacy Our Priority" brochure was launched shortly afterwards and distributed to all existing ATB customers. The brochure (which identifies personal information uses, collects consent for marketing opportunities, and provides instructions to customers on how to opt out) is given to all new customers.

ATB's commitment to privacy was recognized by two awards this past year. We were awarded top honours for privacy policies among financial services organizations in Canada. The 2006 award was issued to ATB by Nymity Inc., a leading Canadian privacy research firm that evaluates organizational policies for their availability, transparency, clarity, conciseness, and easy-to-read content. We also received the International Association of Privacy Professionals' Privacy Innovation Award for 2006-07. The international award was received for ATB's unique and comprehensive approach to

communicating customer privacy requirements through the privacy brochure, and also for being one of the first Canadian organizations to offer an on-line, opt-out marketing option for customers.

Going forward, ATB will further enhance its privacy compliance program through continued corporate awareness, updating of policies and procedures, and improved key risk indicator reporting. A new corporate-wide e-learning training program was launched in the first half of 2006-07 to provide mandatory privacy training to all ATB associates. This on-line training enhances the knowledge and communicates the importance of compliance for all ATB associates and demonstrates ATB's commitment to establishing and maintaining a sound compliance regime. We have also launched an initiative to assess all legacy forms for privacy compliance and have established a collaborative process with our information technology department to proactively assess new technological initiatives for privacy compliance through business resiliency.

Anti-Money Laundering

ATB is subject to the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act, which mandates customer identification and record keeping, and reporting requirements to the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"), in an effort to thwart money laundering and terrorist financing through financial institutions.

In 2005-06, FINTRAC examined ATB to ensure our compliance with these requirements. All recommended process improvements identified through the audit have been addressed. Two "best practices" recommendations will be addressed with the implementation of new software tools to supplement manual processes, with completion currently planned for late 2007-08.

A board-level policy was approved in 2005-06, outlining the expectations and requirements necessary to ensure compliance with this legislation. Early in 2006-07, a corporate-wide e-learning training program was launched to provide mandatory anti-money laundering training to all ATB associates. This on-line training enhances the knowledge and communicates the importance of compliance for all ATB associates and demonstrates to FINTRAC our commitment to establishing and maintaining a sound compliance regime.

Internal Controls over Financial Reporting

In the 2004-05 fiscal year, ATB's board approved a voluntary initiative for ATB to bring its internal controls over financial reporting into substantial compliance with the requirements of the Canadian investor confidence rules (commonly referred to as "C-SOX"). ATB is not a "reporting issuer" required to comply with C-SOX, as it has not issued publicly traded equity securities and its debt securities are exempt.

We launched our initiative to move towards substantial compliance during the 2005-06 fiscal year. This initiative will be a multi-year effort and has been undertaken voluntarily, consistent with our efforts to maintain appropriate standards of corporate governance and financial reporting. We have recruited and trained a core team and work is well under way. We successfully completed our pilot documentation and testing exercise in the first half of fiscal 2006-07 and are progressing through the remainder of the organization on a risk-prioritized basis while balancing the operational impact on the various business units involved.

RISK MANAGEMENT

Overview

Taking risk and then effectively managing that risk is fundamental to success in any financial services business. ATB operates in a dynamic and increasingly competitive environment with rising regulatory requirements and growing client and market expectations. Given ATB's mandated focus on the Alberta market and growing our business, elements of risk are unavoidable. However, when carefully managed, those risks create opportunity.

Our business activities inherently expose ATB to a variety of risks in the normal course of operations, including credit risk, market risk, liquidity risk, operational risk, and strategic risk.

ATB has made a strong commitment to manage risk strategically with the objective of increasing and protecting shareholder value. To ensure we succeed in doing so, we have adopted a comprehensive enterprise risk-management ("ERM") framework and continue to make progress on a major supporting initiative focused on operational risk.

Enterprise Risk Framework

ATB's ERM framework has been designed in accordance with the framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission—the recognized risk-management control standard in the financial services and auditing industries. Our framework, the implementation of which is ongoing, will provide for processes to identify risks, assess their potential impact on ATB's business objectives, and establish policies, procedures, and controls to ensure risk is contained within acceptable tolerance levels.

Effective risk management is achieved through a renewed emphasis on a strong risk-management culture, structure, and governance, and is increasingly becoming integrated into our business plan objectives. ATB's ability to properly access, identify, and manage risk in our day-to-day business activities is critical to ensuring safe and sound operations and to long-term sustainability.

Risk-Management Governance and Structure

Risk-management governance at ATB is provided through various executive management and Board-level committees. Management for each business unit reports initially to the responsible executive member of the Corporate Management Committee ("CMC"). Once endorsed by the CMC, the unit's risk report flows to the committees of the Board responsible for overseeing management of the risks. The Governance and Conduct Review Committee of the Board is responsible for reviewing management's progress and effectiveness with respect to managing ATB's overall risks.

The management framework to manage risk is derived from our ERM framework and functions as follows:

- The Board, CEO, and executive management establish the overall standards for the risk-management culture within ATB through the development of policies, accountabilities, and practices with respect to risk and control, and the communication thereof throughout ATB;
- Management committees and individual business units are responsible for ensuring adequate risk-management policies and effective internal controls are in place for management of identified risks within their respective areas; and
- ATB's Internal Audit unit provides an independent assessment of key risk issues to the Audit Committee of the Board.

Details of our various committees and their role in risk-management governance are outlined below.

Board of Directors Committees

Audit Committee
Reviews budgets, financial results, and other key measures of performance and monitors progress against plans. Also reviews the control environment, approves the internal audit plan, reviews internal audit results, and monitors operational risk issues.

Credit and Financial Risk Committee
Reviews and approves credit, liquidity, market, and other risk-management policies, monitors compliance to policies, and reviews and approves high-value credit proposals. Also reviews trends in the organization's risk profile.

Governance and Conduct Review Committee
Oversees, monitors, and recommends policies that implement and maintain corporate governance, conflict of interest for directors and officers, ethical and legal conduct of associates, and management's implementation of the ERM process.

Human Resource Committee
Provides guidance, oversight, and review of the strategies and policies relating to staff, including recruitment, training and development, disciplinary action, compensation, senior officer appointments, collective bargaining, and administration. Also oversees the overall pension governance structure, policies, and plan design.

Investor Services Committee
Oversees the overall activities and decisions of the Boards of any of the four Investor Services subsidiaries with respect to strategic and annual business plans, structure, and compliance.

Management Committees

Corporate Management Committee ("CMC")
The most senior management-decision-making body within ATB. Recommends to the Board of Directors significant policy decisions, the strategic plan, the annual business plan, and risk tolerance for the business. Also oversees risk management and ensures implementation of the corporate risk strategy.

Asset/Liability Committee ("ALCO")
Oversees operation of the organization's asset/liability management and ensures operations are within the risk-management policies for liquidity, interest rate asset/liability, short- and long-term investments, deposit limits, and derivatives.

Credit Committee
Administers, monitors, and adjudicates all lending programs and initiatives and recommends approval of large credits.

Ethics Committee
Supports the attainment of objectives in ATB's Code of Conduct and Ethics and ensures effectiveness of related education, disclosure, and reporting.

Operational Risk Committee
Oversees, directs, and manages operational risk, including operational risk identification, assessment, and management, all in accordance with best practices. Operates under the authority of, and within parameters established by, the CMC.

Retirement Committee and Defined Contribution Advisory Committee
Oversees prudent and effective management of the defined benefit and defined contribution provisions of the ATB pension plan.

The remainder of this section of the MD&A describes the most significant risks facing ATB and our strategies for managing them.

Strategic Risk

Strategic risk represents the potential for loss that may arise as a result of an absence of integrated business strategies, the presence of ineffective business strategies, the inability to successfully implement strategies selected, or the inability to adapt strategies to changes in the business environment.

ATB's medium-term business strategies to achieve our strategic goals are re-evaluated annually by the President and CEO and executive management in connection with the company's business planning. The outcome is a three-year plan that is reviewed and approved by the Board. This process typically involves a review of the top strategic risks faced by ATB and the effectiveness and appropriateness of our ongoing mitigation strategies. Longer-term strategies are re-evaluated in detail periodically in connection with mandate reviews undertaken with our Shareholder.

Credit Risk

Credit risk is the potential for financial loss in the event of failure by a borrower or counterparty to completely honour their financial or contractual obligation to ATB arising from an on- or off-balance sheet financial instrument, such as interest or principal payments due in respect of a loan balance or other amounts due in respect of guarantees, letters of credit, or derivative contracts.

Credit Risk Management

ATB applies a conservative and disciplined approach to credit risk management. Credit risk is managed through strategies, policies, and limits approved by the Credit and Financial Risk Committee of the Board. Credit risk evaluation and related reporting are independent of retail sales and credit processing, which protect the integrity of the evaluation processes.

Credit risk-management standards are identified and communicated through written policies and directives, and implemented by way of operational procedures and training. The Credit and Financial Risk Committee reviews and approves large individual credits and any policy issues pertaining to credit.

ATB has comprehensive policies and procedures for managing credit risk, including:

- policies in accordance with the requirements of the ATB Act, ATB Regulation, and guidelines established by Alberta Finance, together with policies modelled on relevant credit guidelines issued by the Office of the Superintendent of Financial Institutions and applied to Canadian chartered banks;
- credit-scoring models and techniques for underwriting and monitoring consumer credit;
- specific standards for measuring credit exposure;
- evaluating and ranking risk using standardized criteria for business accounts; and
- guidelines limiting portfolio concentrations by borrower, geographical distribution within Alberta, industry, and loan type.

During the 2006-07 year, ATB completed a comprehensive review and, where appropriate, rewrite of our corporate credit policies to incorporate the latest industry best practices and to enhance the clarity and utility of corporate credit policies for our associates.

We also centralized the "middle-office" functions for our derivative and investment programs in a new team in Corporate Credit. This new structure enhances the independence of our middle office from the origination of trading (or "front-office") functions and the settlement and accounting (or "back-office") functions. The Credit middle office is accountable to ensure the soundness of ATB's credit and market risk management and control environment. It is responsible for the performance of related risk assessments and the valuation, monitoring, and reporting of ATB's market and credit risk positions with regards to the corporate investment programs as well as the corporate hedging derivative program and our new client derivative program.

ATB actively mitigates its credit risk through:

- a thorough assessment of each credit proposal prior to approval and, at minimum, annual reviews thereafter to assess the continued appropriateness of the associated credit risk;
- the adjudication or review of all credit proposals by a separate group of credit managers who are independent of retail sales and credit processing;
- the administration of any credits considered problematic (either due to payment arrears or other forms of credit impairment) by a separate asset management group focused solely on credit workouts and asset liquidations and independent of retail sales and credit processing;
- an ongoing program whereby Internal Audit conducts reviews of individual lenders and verification of compliance with established policies; and
- the continuous and evolving upgrade of credit processes, automatic scoring programs, and portfolio management techniques to effectively manage risk within the various loan portfolios.

Credit Risk Diversification

Effective credit risk management requires ATB to maintain a diversified loan and credit portfolio. Even though legislation restricts our lending operations largely to the Alberta marketplace, we believe a diversified portfolio can be achieved by way of:

- policies and limits to ensure broad diversification across various types of credit risk; and
- policies that ensure the portfolio is not overly concentrated to any particular industry sector, single borrower, related borrower groups, loan type, or geographic region within Alberta.

We manage portfolio concentration risk through:

- diversification across industry segments and regions of Alberta, maximum limits on individual borrower exposure, participation in syndication arrangements, and establishment of minimum loan-quality factors;
- effective use of information systems to report on compliance with risk policies and to assist in identifying emerging credit issues; and
- portfolio limits based on risk rating, overall risk appetite, and business strategy.

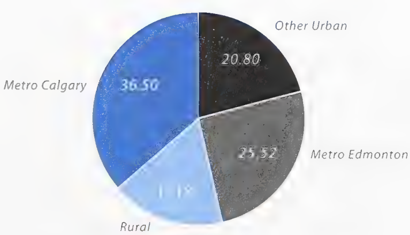
We continue to explore more sophisticated methods to enhance our portfolio risk-management capabilities, including the possible future use of credit derivatives and other forms of risk transfer.

Credit risk is monitored regularly with formal reporting to executive management and the Board to provide awareness of shifts in loan quality and portfolio performance.

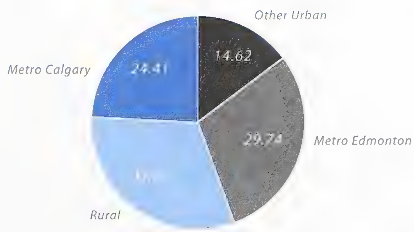
The following table and charts illustrate the diversity of our loan portfolio as of March 31, 2007, across customer and industry segments and, for key certain sub-segments, across regions of Alberta:

Net Loans

As at March 31 ($ in thousands)	2007	2007 Percentage of total	2006	2006 Percentage of total	2005	2005 Percentage of total
Individuals						
Residential mortgage	$ 6,953,271	40.9	$ 6,359,221	42.8	$ 5,816,615	44.3
Personal	3,304,635	19.4	2,645,574	17.8	2,237,064	17.0
	10,257,906	60.4	9,004,795	60.7	8,053,679	61.3
Business and other						
Mining/energy/forestry	$ 1,703,812	10.0	$ 1,077,475	7.3	$ 883,802	6.7
Agricultural and related services	1,249,035	7.3	1,327,595	8.9	1,260,542	9.6
Real estate	768,738	4.5	774,493	5.2	762,541	5.8
Accommodation, food, and beverage	519,198	3.1	513,239	3.5	357,153	2.7
Manufacturing	493,425	2.9	317,112	2.1	275,313	2.1
Construction	413,872	2.4	349,565	2.4	254,184	1.9
Transportation, communication, and utilities	333,197	2.0	350,037	2.4	333,699	2.5
Retail trade	320,777	1.9	332,458	2.2	302,735	2.3
Business services	201,500	1.2	195,189	1.3	133,731	1.0
Wholesale trade	200,091	1.2	191,101	1.3	163,746	1.2
Educational services, health, and social services	196,705	1.2	175,018	1.2	64,179	0.5
Other services	195,733	1.2	96,136	0.6	163,808	1.2
Other	153,601	0.9	149,039	1.0	161,141	1.2
Finance and insurance	128,566	0.8	138,541	0.9	108,493	0.8
	6,878,250	40.5	5,986,998	40.3	5,225,067	39.8
Total loans before general allowance	17,136,156	100.8	14,991,793	101.0	13,278,746	101.1
General allowance	(141,827)	(0.8)	(145,099)	(1.0)	(140,829)	(1.1)
Net loans	$ 16,994,329	100.0	$ 14,846,694	100.0	$ 13,137,917	100.0



Commercial/Industrial Real Estate Geographic Concentration
(in % as of March 31, 2007)



Conventional Residential Mortgage Loan Geographic Concentration
(in % as of March 31, 2007)

Risk Ratings

ATB uses various internal and external credit-modelling techniques to supplement the risk analysis of our credit portfolios. Credit-scoring models are used to assist in loan approval and pricing of consumer loans. Scorecards are also used to assist in the ongoing assessment and management of the consumer loan portfolio and in calculating loan loss allowances.

Independent business, commercial, and agri-business loans are assigned internal risk ratings based on a detailed review of the borrower. The scores reflect the strength of the entire borrower relationship and the probability of the borrower defaulting on obligations to ATB. The ratings use certain variables, which consider industry sector trends, market competitiveness, company strategy, funds availability, and financial management. These risk ratings are used to assist in the approval process and in the pricing of the loan facility, and in the ongoing maintenance and evaluation of the non-consumer loan portfolio as a whole. Risk ratings are regularly assessed and updated.

During 2006-07, ATB completed an initiative to increase the sophistication of our risk-rating processes for business customers. This involved the development and staged rollout of a new risk-rating model that produces both a borrower rating (13-point scale) designed to estimate probability of default and a facility rating (5-point scale) to estimate loss given default. This new model, once fully implemented, will significantly enhance our risk-assessment capability in our business lending decisions.

Work is also under way to introduce credit-scoring and a streamlined application process for our smaller business credit transactions. This initiative, when completed, will both simplify and speed up our credit application and approval process for this segment of the business loan portfolio.

Impaired Loans

While ATB applies a disciplined approach to risk by continually monitoring all credit exposures, we also actively manage impaired accounts. Generally, a loan is classified as impaired when management believes there is no longer reasonable assurance of the timely collection of principal or interest. Loans are generally considered impaired when the loan principal or interest is 90 days or more past due from its contracted repayment date. Credit card loans are considered impaired when, for consumer balances, payments become 180 days past due or, for non-consumer balances, balances are past due for three billing cycles (or approximately 90 days).

A workout group with specialized expertise in collection management handles performing loans where credit deterioration is shown. Other skilled management teams manage the various non-performing loan portfolios to minimize risk and maximize recoveries. Specific allowances for impaired loans are established when it is determined a loss is likely.

The following table indicates the distribution of net impaired loan balances across customer and industry segments:

Impaired Loans

($ in thousands)	2007	2006	2005
Individual loans			
Residential mortgages	$ 12,714	$ 19,504	$ 26,503
Personal	5,471	6,678	8,214
	18,185	26,182	34,717
Business and other			
Agricultural	15,986	18,728	29,101
Independent business, commercial, and other	12,564	17,383	25,804
	28,550	36,111	54,905
Gross impaired loans	46,735	62,293	89,622
Specific allowance for credit losses	(12,007)	(16,105)	(27,365)
	34,728	46,188	62,257
General allowance for credit losses	(141,827)	(145,099)	(140,829)
Net impaired loans	$ (107,099)	$ (98,911)	$ (78,572)
Net impaired loans as a percentage of gross loans	(0.62%)	(0.66%)	(0.59%)
Allowance for credit losses as a percentage of gross impaired loans	329.2%	258.8%	187.7%

As indicated in the preceding table, gross impaired loans decreased by $15.6 million or 24.98% to $46.7 million as at March 31, 2007, from $62.3 million a year prior. Total net impaired loans ended fiscal 2006-07 at net negative $107.1 million, as compared to net negative $98.9 million at the prior year-end.

The following table indicates the components of year-to-year changes in net impaired loans:

Changes in Net Impaired Loans

($ in thousands)	2007	2006	2005
Gross impaired loans			
Balance at beginning of year	$ 62,293	$ 89,622	$ 108,841
Net additions (reductions)	(11,160)	(15,108)	(5,480)
Write-offs	(4,398)	(12,221)	(13,739)
Balance at end of year	$ 46,735	$ 62,293	$ 89,622
Allowance for loan losses			
Balance at beginning of year	$ 161,204	$ 168,194	$ 192,896
Provision for loan losses	(5,313)	2,227	(14,618)
Write-offs	(7,262)	(14,584)	(16,213)
Recoveries	5,205	5,367	6,129
Balance at end of year	$ 153,834	$ 161,204	$ 168,194
Net impaired loans			
Balance at beginning of year	$ (98,911)	$ (78,572)	$ (84,055)
Net change in gross impaired loans	(15,558)	(27,329)	(19,219)
Net change in allowance	7,370	6,990	24,702
Balance at end of year	$ (107,099)	$ (98,911)	$ (78,572)

Credit Quality and Provisions for Credit Losses

Management records a provision for credit losses to bring the allowance for credit losses to a level determined prudent. The provision covers all probable credit-related losses believed to have been incurred in the portfolio, giving consideration to existing economic conditions and existing allowance for credit loss balances.

Provision For Credit Losses

($ in thousands)	2007	2006	2005
Total credit (recoveries) provision charged to income	$ (5,211)	$ 688	$ (14,594)
As a percentage of average net loans	(0.03%)	0.00%	(0.12%)

Credit Quality

One key measure we use to report the credit quality of our loan portfolio is the level of credit losses incurred, expressed as a percentage of average net loans. For the year ended March 31, 2007, our net recovery for credit losses represented negative 0.03% of average net loans as compared to a nil provision the prior year and a larger net recovery in the second prior year. Comparative analysis of these fluctuations is complicated by the fluctuations in the BSE special general allowance over these periods (see comments after the table on page 67).

Allowance for Credit Losses

The allowance for credit losses is maintained at a level management believes is sufficient to absorb probable losses in the loan and off-balance sheet credit portfolios. The total allowance for credit losses consists of three components: specific, general allocated, and general unallocated.

Specific allowances are recorded when loans are identified as impaired. The specific allowances on non-consumer loans are established on a loan-by-loan basis. The specific allowances on consumer loans are calculated using a formula based on recent loss experience.

The allocated general allowance is management's best estimate of probable losses not yet specifically identified. This is calculated using quantitative models, largely based on expected default rates and loss factors. It also includes an allowance for specific events that have occurred and will result in credit losses where such losses cannot yet be identified on an individual loan basis. A special general allowance is created where there is a significant change in the credit environment which cannot be adequately measured using the above methods. The discovery of BSE in the Canadian beef industry during the 2003-04 fiscal year is an example of such an event.

The unallocated general allowance is a qualitative estimate of the probable losses that have not been identified by either the specific or allocated general allowance. The model also includes consideration of the impact of changing economic and business conditions on appropriate reserve levels.

Effective September 30, 2006, ATB implemented a refined methodology to assess the adequacy of the level of the general loan loss allowance ("GLLA"). Our GLLA model has been updated to more accurately reflect the risk profile (and expected default rates) of ATB's consumer and non-consumer loan portfolios. Potential variability relating to model and estimation risks have been reduced and the process by which management assesses the overall state of the business cycle has been refined to better distinguish potential impacts on the consumer and non-consumer credit portfolios separately. The net impact of these refinements was a $24.3 million non-recurring reduction in the GLLA that has been reflected in 2006-07 net income as a recovery of credit losses.

A more detailed discussion of the methodologies used to determine the allowances for credit losses is provided in Note 7 to the statements.

The following table presents the continuity of the allowance for credit losses (including the allowance for cost of credit recovery included in other liabilities) as at and for the years ended March 31:

Allowance For Credit Losses

	2007			2006			2005		
($ in thousands)	Specific allowance	General allowance	Total	Specific allowance	General allowance	Total	Specific allowance	General allowance	Total
Opening balance	$ 19,348	$ 145,099	$ 164,447	$ 32,147	$ 140,829	$ 172,976	$ 39,935	$ 157,719	$ 197,654
Provision charged to income for:									
Credit losses (recoveries)	1,406	(3,272)	(1,866)	(339)	4,270	3,931	7,078	(16,890)	(9,812)
Cost of credit recovery	(3,345)	–	(3,345)	(3,243)	–	(3,243)	(4,782)	–	(4,782)
	(1,939)	(3,272)	(5,211)	(3,582)	4,270	688	2,296	(16,890)	(14,594)
Write-offs	(7,262)	–	(7,262)	(14,584)	–	(14,584)	(16,213)	–	(16,213)
Recoveries	5,205	–	5,205	5,367	–	5,367	6,129	–	6,129
	(2,057)	–	(2,057)	(9,217)	–	(9,217)	(10,084)	–	(10,084)
Closing balance, including allowances for cost of credit recovery	$ 15,352	$ 141,827	$ 157,179	$ 19,348	$ 145,099	$ 164,447	$ 32,147	$ 140,829	$ 172,976

Over the 2006-07 fiscal year, the total allowance for credit losses decreased by $7.3 million to $157.2 million compared to $164.4 million as at March 31, 2006. Changes in the general allowance presented above represent a combination of "routine" adjustments each year relating to general loan portfolio volumes and credit profiles combined with the following non-routine changes:

- For the 2006-07 year, the one-time $24.3 million release of GLLA following the introduction of the new enhanced GLLA model; and
- For the 2005-06 and 2004-05 years, the release of $8.0 million and $9.5 million, respectively, from the special general allowance for BSE first established to provide for BSE-related losses in June 2003. This allowance was reduced to a zero balance in 2005-06. Due to government intervention and the actions of ATB associates, the actual losses relating to BSE were much less significant than originally anticipated.

Market Risk

Market risk is the risk that ATB may incur a loss due to adverse changes in interest rates, foreign exchange rates, or in the prices of equity or commodity markets. Financial institutions such as ATB accept market risk as an inherent part of normal day-to-day operations such as investing, lending, and deposit-taking. The level of market risk to which ATB is exposed varies depending on the composition of our portfolios, market conditions, and expectations of future price and future market movements. The Credit and Financial Risk Committee of the Board annually reviews our risk-management policies and standards.

Our market risk-management responsibilities include:

- defining market risk policies;
- developing methods for measuring and reporting market risk;
- approving market rates and prices; and
- enforcing approved market risk limits.

We manage our market risk through:

- a framework of policies, procedures, committees, and measurement and monitoring practices;
- thorough assessment and judgment of risk prior to acceptance, including whether the risk will fall within our pre-approved risk capacity and business expertise;
- provision of monthly status reporting of market risk exposure to the Asset/Liability Committee; and
- quarterly status reporting to the Credit and Financial Risk Committee of the Board.

ATB's normal operations expose us to the following specific types of market risk: interest rate risk, foreign exchange risk, and equity and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk of a negative impact on ATB's net interest income ("NII") due to the impact of changes in interest rates. This risk occurs when there is a mismatch in the repricing characteristics of interest-rate-sensitive assets (such as loans and investments) and interest-rate-sensitive liabilities (such as deposits). Any such mismatch is referred to as the interest rate gap. ATB proactively manages our interest rate gap sensitivity position based upon actual and anticipated interest rate movements. We have Board-approved limits that control and mitigate short-term and medium-to-long-term interest rate exposure.

ATB uses a variety of measurement techniques to monitor our interest rate risk, including gap analysis, monitoring the market value of our equity, and income simulation.

Gap Analysis

This involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly in a short period of time. The impact of changes in interest rates on NII will depend upon the size and rate of change in interest rates and the size and maturity of the total gap position and management of these positions over time. We actively manage our interest rate gap to protect NII while minimizing risk.

Market Value of Equity

The market value of ATB's equity represents the net present value difference between the market value of our assets and the market value of our liabilities. The change in the market value of equity is a form of interest rate risk

measurement as the change measures the financial institution's sensitivity to interest rate movement. Beginning in 2006-07, we began to balance our short-term and longer-term interest rate risk exposure with the implementation of a new derivative strategy to hedge the value of our equity.

Income Simulation

Income simulation is used to monitor the impact on earnings over a specific time period due to interest rate fluctuations. A dynamic simulation approach is used whereby simulations are calculated on a regular basis using detailed assumptions about the future course of interest rates and expected changes in our activity over the applicable time period.

The following table presents ATB's interest rate gap position as at March 31, 2007. Negative amounts represent an excess of liabilities over assets or a negative gap position.

Interest Rate Gap Position

	Term to maturity/repricing								Total	
($ in thousands)	Within 1 year	Effective interest rate (%)	1 to 5 years	Effective interest rate (%)	Over 5 years	Effective interest rate (%)	Non-interest-sensitive	Effective interest rate (%)	$	(%)
Assets										
Cash	$ 78,117	4.35	$ –	–	$ –	–	$ –	–	$ 78,117	4.35
Securities and interest-bearing deposits with financial institutions	2,701,318	4.39	1,000	5.11	–	–	–	–	2,702,318	4.39
Loans	11,191,299	6.36	5,838,139	5.44	65,231	6.32	(100,340)	–	16,994,329	6.08
Other	–	–	–	–	–	–	519,954	–	519,954	–
Total assets	$ 13,970,734		$ 5,839,139		$ 65,231		$ 419,614		$ 20,294,718	
Liabilities and equity										
Deposits	$ 14,265,456	2.65	$ 3,987,382	4.07	$ –	–	$ –	–	$ 18,252,838	2.96
Other liabilities and equity	–	–	–	–	–	–	1,969,638	–	1,969,638	–
Subordinated debentures	–	–	–	–	–	–	72,242	4.57	72,242	4.57
Total liabilities	$ 14,265,456		$ 3,987,382		$ –		$ 2,041,880		$ 20,294,718	
On-balance sheet gap	$ (294,722)		$ 1,851,757		$ 65,231		$ (1,622,266)			
Off-balance sheet gap	(350,000)		350,000		–		–			
2007 net gap	$ (644,722)		$ 2,201,757		$ 65,231		$ (1,622,266)			
Net gap as a percentage of assets	(3.18%)		10.85%		0.32%		(7.99%)			
2006 net gap	$ 316,730		$ 1,122,950		$ 60,249		$ (1,499,929)			
2006 net gap as percentage of assets	1.79%		6.36%		0.34%		(8.50%)			
2005 net gap	$ 329,336		$ 895,303		$ 34,793		$ (1,259,432)			
2005 net gap as percentage of assets	2.14%		5.82%		0.23%		(8.19%)			

ATB had a net negative interest rate gap of $644.7 million for exposures coming due or repricing within one year as at March 31, 2007, as compared to a $316.7 million positive gap last year. We have adjusted our position to reduce our exposure to interest rate changes. In both years, ATB has contained its net exposures to changing rates within defined policy limits.

Based on our short- and medium-term interest rate position as at March 31, 2007, an immediate and sustained 100 basis point rise in interest rates across all maturities would be expected to increase forecast 2007-08 net earnings by $26.8 million as detailed in the following table:

Interest Rate Sensitivity

($ in thousands)	2007	2006	2005
Impact on net earnings in succeeding year from:			
Increase in interest rates of:			
100 basis points	$ 26,777	$ 27,458	$ 21,826
200 basis points	52,821	53,889	39,641
Decrease in interest rates of:			
100 basis points	(19,315)	(21,109)	(17,976)
200 basis points	(41,623)	(42,652)	(40,872)

Readers are cautioned that these sensitivities are modelled based on the details of ATB's on- and off-balance sheet interest-rate-sensitive assets and interest-rate-sensitive liabilities as at the balance sheet date. That position is measured as at that point in time only and may change significantly from day to day due to customer transactions and ATB's application of its various risk-management practices. The modelling exercise also assumes that all expiring loans and deposits are renewed on comparable terms, that the loan and deposit portfolios do not grow or shrink, and that variable rate products are immediately repriced and that fixed-rate products that either mature or are repriced during the upcoming period are repriced as of the date of maturity/repricing.

Foreign Exchange Risk

Foreign exchange risk is the potential risk of loss resulting from fluctuations in foreign exchange rates. Foreign exchange risk arises from the existence of a net asset or liability position denominated in foreign currencies or a difference in maturity profiles for purchases and sales of a given currency. Foreign exchange risk is monitored daily, continually corrected, and offset. We can mitigate foreign exchange risk by offsetting transactions, managing maturity profiles, and by hedging activities. Foreign exchange risk is subject to Board-approved limits.

Refer to Note 14 in the statements for details of foreign exchange-related derivative contracts held as at March 31, 2007 and 2006.

ATB's foreign exchange risk is primarily related to assets and liabilities denominated in US dollars, as substantially all other foreign currency denominated transactions are settled in Canadian dollars through offsetting transactions.

Foreign Currency Denominated Amounts

($ in thousands)	2007	2006	2005
Assets			
Cash resources	$ 71,301	$ 62,232	$ 87,359
Securities	29,414	17,994	62,673
Loans	133,562	152,139	66,820
Other	1,717	570	289
Liabilities			
Deposits	(229,840)	(221,879)	(207,230)
Other	(7,217)	(9,406)	(8,407)
Net total	$ (1,063)	$ 1,650	$ 1,504

Equity and Commodity Price Risk

Equity price risk arises when ATB offers deposit products whose rate of return is linked to changes in the value of equity securities or equity market indices. We use equity-linked derivatives to hedge our associated risk exposure on these products. Equity risk is subject to Board-approved limits.

Commodity price risk arises when ATB offers derivative products where the value of the derivative instrument is linked to changes in the price of the underlying commodity. We use commodity-linked derivatives to fully hedge our associated commodity risk exposure on these products. ATB does not accept any net commodity price risk. (Refer to the Use of Derivatives section below.)

Refer to Note 14 for details of equity- and commodity-related derivative contracts held as at March 31, 2007 and 2006.

Use of Derivatives

ATB has traditionally used derivatives for managing our asset and liability positions and the risk associated with individual loan and deposit products offered to customers. We use several types of derivatives for this purpose, including interest rate swaps, options, equity-linked options, and forward foreign exchange contracts. We refer to these contracts as our "corporate derivative portfolio."

In 2006-07, ATB launched a new "client derivative" product offering where ATB provides commodity and foreign exchange derivatives to customers, allowing them to hedge their existing exposure to commodity and/or foreign exchange risk. This client derivative portfolio is not utilized to generate trading income through active assumption of market risk, but rather is utilized to meet the risk-management requirements of ATB customers. ATB does not accept any net exposure to such derivative contracts (except for credit risk) as we either enter into offsetting contracts with other financial institution counterparties or, in the case of foreign currency contracts only, incorporate them into our own foreign exchange position.

All derivative transactions are stringently reviewed and managed within the policies approved by the Board. A new "middle-office" function was centralized within our Corporate Credit business unit in 2006-07 to monitor ATB's client and corporate derivative portfolios daily to ensure our market risk and counterparty exposures are appropriately managed within approved limits. Further, the Asset/Liability Committee reviews all derivative transactions and our net position on a monthly basis.

The use of derivatives inherently involves credit risk due to the potential for counterparty default. To control this risk, we apply limits to each counterparty and consider potential future exposure in connection with each contract and its current fair value when measuring our exposure. Customer counterparties are scrutinized through our regular credit risk-management processes and financial institution counterparties are limited by policy to those having a minimum long-term public credit rating of A-low/A3/A- or better. We also use credit mitigation techniques such as netting and, in our client derivative portfolio, can collateralize obligations above agreed thresholds to limit potential exposure. We are not exposed to credit risk for the full face value (notional amount) of derivative contracts, but only to the potential replacement cost if the counterparty defaults. This exposure is represented by the current replacement cost of all outstanding contracts in a favourable position.

The following table presents a summary of our derivatives position as at March 31, 2007. For additional information on our derivatives position, refer to Note 14 in the statements.

Derivative Contracts

			Current replacement cost	
($ in thousands)	Notional amount	Net fair value	Favourable position	Unfavourable position
2007				
Interest rate contracts	$ 3,949,116	$ 3,686	$ 6,146	$ (2,460)
Equity-linked contracts	263,920	74,160	74,160	–
Commodity forwards	148,295	73	3,204	(3,131)
Foreign exchange forwards	30,177	12	127	(115)
Total	$ 4,391,508	$ 77,931	$ 83,637	$ (5,706)
2006				
Interest rate contracts	$ 2,909,327	$ 4,529	$ 8,814	$ (4,285)
Equity-linked contracts	319,330	78,886	78,886	–
Foreign exchange forwards	453	4	4	–
Total	$ 3,229,110	$ 83,419	$ 87,704	$ (4,285)
2005 Total	$ 2,391,674	$ 57,798	$ 58,531	$ (733)

The total net fair value of our derivative positions as at March 31, 2007, is comparable to a year ago despite the continued increase in the notional amount of outstanding positions. The notional value of interest rate derivative contracts has increased by nearly $1.04 billion since last year (reflecting enhancements to our hedging strategies described more fully beginning on page 69 of the MD&A) but the net fair value of interest rate contracts has actually decreased, reflecting changes in the current interest rate environment and in the forward expectations for interest rates as compared to last year's. From an economic perspective, the net favourable position of ATB's derivative contracts as at March 31, 2007, is substantially offset by certain obligations to customers where the fair value of the obligations is larger than their book value. As in past years, this difference primarily relates to the equity-linked deposit contracts where the deposit obligations are recorded at cost.

Liquidity Risk

Liquidity risk is the risk of ATB being unable to meet our known financial commitments when they come due, as well as the inability to meet unexpected cash requirements. As with other similar financial institutions, the risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows, supplemented by investment assets readily convertible to cash, or through our capacity to borrow.

ATB's liquidity management policy is to ensure sufficient funds are available to sustain our ongoing operations, to meet our customers' needs (such as cash withdrawals or loan advances), and to satisfy other financial obligations. We take into account both our liquid assets on hand and our ability to raise additional funds to meet liquidity requirements.

Liquidity Risk Management

We mitigate our liquidity risk through:

- establishing prudent liquidity policies combined with effective processes, monitoring, and management systems;
- conducting regular forecasting scenarios to ensure adequate liquidity is available to meet cash flow fluctuations and react to commitments; and
- reporting liquidity regularly to ensure compliance is within our limits and guidelines.

We manage our liquidity through:

- a variety of funding sources for liquidity, with the primary source being our retail deposit base;
- encouraging growth in deposits from individuals as they provide a stable source of funding over the long term;
- participating in Canadian financial markets through the issuance of short- and mid-term notes;
- maintaining a large holding of liquid assets in proportion to anticipated demand; and
- establishing access to other sources of liquidity, which may be used on short notice if additional funds are required, including Receiver General term deposit auctions and short-term credit facilities with other financial institutions.

As previously discussed in the Consolidated Financial Position section of the MD&A, ATB's liquid assets consist of cash, deposits, and securities. Over the upcoming 2007-08 fiscal year, ATB expects to have more than sufficient liquidity to meet all prudent and regulatory requirements; however, looking forward, longer-term forecasts indicate that our retail deposit growth may be insufficient to sustain planned loan growth through the 2010 fiscal year. We plan to implement alternate funding solutions at an appropriate time to supplement our ability to raise funds through wholesale deposits. This could include the development of a program to securitize a portion of our residential mortgage portfolio.

Operational Risk

Overview

Operational risk is inherent to the business activities of any organization, including financial institutions. ATB has adopted the definition of operational risk established by the Basel Committee on Banking Supervision in the Basel II Accord. Operational risk is the risk of loss from inadequate or failed internal processes, people, and systems or from external events. Risk of loss, to which we are exposed whether direct or indirect, is attributable to the possibility of disruptions in our operations caused by external events, human error, or the inadequacy or failure of processes, procedures, or controls. Operational risks are also associated with problems in service or delivery, such as the function of internal controls, information systems, the integrity of our associates, business continuity planning, and operating processes. For ATB's purposes, operational risk is also considered to include legal and regulatory risk.

Although operational risk can never be eliminated entirely, its assessment, management, and mitigation needs to be integrated into the decision-making process of ATB's Board of Directors, executive management, and business unit managers. To this end, we established an Operational Risk Management ("ORM") unit during fiscal 2004-05 and, working within our ERM framework, have since developed and adopted an ORM framework.

Each line of business is responsible for the day-to-day management of its operational risks within the guidelines established by corporate policy and standards, using the ORM framework's processes and control programs. The ORM unit oversees the operational risk-management process. Internal Audit will independently report on effectiveness of internal controls for operational risk and operational risk-management processes to the Corporate Management Committee ("CMC") of executive management, which performs the enterprise risk-management function and to the Audit Committee of the Board. ATB's goal is to increase the visibility and associates' awareness of operational risk throughout the organization.

Governance

To reflect the increasing importance ATB places on operational risk management, ATB's operational risk-governance structure was strengthened in 2006-07. The Operational Risk Committee ("ORC") is now chaired by the Chief Operating Officer and includes each member of the CMC (or a suitably empowered delegate). Its terms of reference were also updated and expanded as approved by the CMC and the Board. The ORC continues to have oversight responsibility for operational risk strategy and governance but now takes a more proactive role in risk management, including the development of key risk indicators and processes to monitor them across the organization at the business unit level. The ORM unit provides advice and guidance to the business units on operational risk assessments, measurement and mitigation, related monitoring, and change initiatives. To ensure all operational risks that business units are exposed to are adequately managed, specialized functions such as finance, legal and regulatory compliance, privacy, human resources, and information technology are involved in the measurement and assessment process, as appropriate, and are represented through membership on the ORC.

Legal and Regulatory Risk Management

Operational risk management, as defined at ATB, also includes meeting legal and regulatory requirements. The risks associated with these requirements are ATB's failure to comply with prevailing legislation, regulations, guidelines, by-laws, established practices, and ethical standards. The ORM framework includes all the regulatory requirements that have a major impact on ATB's operations, including the ATB Act, provincial occupational health and safety guidelines, and anti-money laundering and terrorist financing legislation, amongst other federal and provincial legislation, which applies to ATB as a Crown agent, financial services provider, employer, and pension sponsor.

Identifying Other Operational Risk

The ORM unit completed the first phase of risk identification in 2005-06 through a high-level risk profile of ATB, which indicates areas of higher risk based on business activities and potential operational risks as categorized by Basel II. The Basel II risk categories consider common risks such as human processing error, improper practices, fiduciary obligations, and theft and fraud. This initial risk profile was developed through workshops with the business lines and corporate functional areas to identify high-level operational risks within their respective areas. The results were then aggregated into a corporate-wide risk profile that will allow ATB to prioritize the next phase of risk identification and assessment—Risk Control Self Assessment ("RCSA"). The RCSA involves the ORM unit, the business unit owners, and the business unit risk managers collaboratively developing a more detailed look at operational risks. Pilot RCSA workshops were completed in 2005-06. The RCSA framework and methodology were approved by the CMC and the Board in 2006-07 and a number of critical business units have completed RCSA workshops or operational risk-mapping exercises.

Evaluating the Frequency and Potential Impact of Operational Loss Events

During RCSA workshops facilitated by the ORM unit, business managers identify the risks that impact successful completion of business objectives. These risks are evaluated based on the current controls in place to derive a residual risk rating. The residual risk rating is measured using a methodology that combines the likelihood of a risk event with the potential impact of that risk event occurring. This residual risk rating is then used to determine if the controls in place are effective to mitigate the risk for each business unit to a level acceptable to ATB and, ultimately, the Shareholder. A tailored measurement process and model are used to determine the operational risk for each business unit.

Managing Operational Risk

An integral part of managing operational risk and the function of the ORM unit is the centralized collection of loss data to establish trending and benchmarking against industry norm and best practices. The process of managing operational risk consists of setting acceptable levels of risk tolerance and then deciding to control, avoid, or transfer certain risks and put appropriate procedures and control measures in place to reach the acceptable residual level of risk. ATB uses several means to minimize its operational risks, including insurance, outsourcing, and integrated plans for the continuity of operations. During 2006-07, the ORM unit led the development of business continuity plans across the organization and supported the enhancement of ATB's emergency response structure.

Operational Risk Reporting

The ORM framework includes regular reporting of relevant ORM activities and processes, to senior line and corporate management, the ORC, the ERC, and the Board of Directors. These reports include the risk profile of ATB on an organization-wide basis and action plans intended to reduce risk levels where the residual operational risk of business processes is considered too high, according to the tolerance levels established.

QUARTERLY OPERATING RESULTS

Review of 2006-07 Fourth Quarter Operating Results

Net Income

ATB Financial ("ATB") earned net income ("NI") of $49.2 million for the fourth quarter ended March 31, 2007, down $2.7 million from the corresponding fourth quarter of 2005-06 and down $20.0 million from the preceding third quarter.

Compared to the fourth quarter of 2005-06, both net interest income ("NII") and other income ("OI") increased significantly, by $22.0 million and $3.0 million, respectively. Credit losses increased from a $1.6 million recovery in the fourth quarter of last year to an $11.3 million expense in the current quarter, up $12.9 million. In addition, non-interest expenses ("NIE") increased by $14.9 million (12.34%) from the fourth quarter a year ago, contributing to the reduction in quarterly NI.

Comparing the fourth quarter of 2006-07 to the preceding third quarter, a $5.3 million increase in OI was more than offset by the cumulative effect of a $2.5 million reduction in NII, a $13.8 million increase in NIE, and a $9.0 million increase to the credit provision, resulting in a reduction in NI compared to the prior quarter.

Operating Revenue

Operating revenue in the fourth quarter increased by $25.0 million over the prior year fourth quarter, and by $2.8 million over the preceding third quarter.

The year-over-year increase (from fourth quarter 2006-07 to fourth quarter 2005-06) was made up of a $3.0 million increase in OI and a $22.0 million increase in NII. The increase in the NII was due to a combination of a $2.65 billion increase in average interest-earning assets together with a five basis point increase in the spread earned on those balances. The increase in OI included a $3.2 million increase in Investor Services ("IS"), a $1.7 million increase in card fees, a $1.1 million increase in insurance, and a $0.8 million increase in service charges. The substantial increase in IS revenue was consistent with the $1.26 billion increase in assets under their management and administration. The foregoing increases were partially offset by a $3.6 million reduction in sundry income. This reduction was due to a substantial mark-to-market derivative adjustment in the fourth quarter of 2005-06 that did not recur in the fourth quarter of this year.

The net increase in operating revenue for the fourth quarter compared to the preceding third quarter was attributable to the $5.3 million increase in OI resulting from increased service charges, insurance, and IS revenue. NII decreased by $2.5 million from the third to the fourth quarter, primarily due to a reduction of approximately 8.5 basis points in net spread earned, only partially offset by growth in average interest-earning balances.

Provision for Credit Losses

The increase from a credit recovery of $1.6 million in the fourth quarter of 2005-06 to a credit provision of $11.3 million in the fourth quarter of 2006-07 was due largely to an increase in the general loan loss allowance ("GLLA") during the fourth quarter. This reflects a combination of growth in our loan portfolio and a slight weakening in the credit quality of several non-consumer sectors of the portfolio. The $9.0 million increase over the preceding third quarter is also attributable to these same reasons.

Non-Interest Expenses and Efficiency Ratio

NIE for the fourth quarter were up $14.9 million (12.34%) from the fourth quarter of last year, and up $13.8 million (11.34%) from the third quarter of this fiscal year. The majority of non-interest expense categories increased from the prior year's fourth quarter, the most substantial being a $5.3 million increase in other NIE. The largest contribution to this increase was from sundry operational losses. Professional and consulting fees also increased substantially, up $3.4 million, which was due to the increased number of IT projects under way at ATB.

Other NIE increased substantially from the third quarter of 2006-07 to the fourth quarter, increasing by $4.3 million (114.09%). Other significant increases quarter to quarter were professional and consulting fees ($2.9 million) and human resources ($2.8 million).

Our efficiency ratio, measured as total NIE divided by total operating revenue, increased (or worsened) from 63.00% to 69.13% from the third quarter of 2006-07 to the fourth quarter, but the overall change from the prior fiscal year's fourth quarter was minor, decreasing (or improving) from 70.54% to 69.13%.

Contribution by Segment

Operating revenue in the fourth quarter was up across the board for all business units compared to the fourth quarter in the prior year with the exception of other business units, which saw a reduction of $1.6 million. Personal and Business Financial Services ("PBFS") led the way with an increase of $18.4 million (15.52%), Corporate Financial Services ("CFS") increased $5.2 million (33.44%), and IS increased $3.0 million (39.68%). These increases were partially offset by increases in NIE in all units and an increase in the provision for credit losses in PBFS and CFS. As a result, NI only increased in PBFS by $7.5 million and IS by $0.2 million.

Operating revenues were up in all business units for the fourth quarter of fiscal 2006-07 compared to the third quarter with the exception of PBFS, which decreased by $0.5 million (0.36%). CFS increased by $0.4 million (1.79%), IS by $1.8 million (21.41%), and other business units by $1.1 million (4.09%). An increase in the provision for credit losses and NIE in all business units resulted in a reduction in NI across the board. The reduction in PBFS was $9.0 million (24.60%), CFS $4.9 million (37.66%), IS $0.8 million (2610%), and other business units $5.3 million (27.03%).

Review of Financial Position as at March 31, 2007

ATB's total assets ended the year at $20.29 billion, an increase of $2.65 billion (15.00%) over the fourth quarter of fiscal 2005-06 and $462.0 million (2.33%) from the third quarter of 2006-07. This growth was driven by strong growth across our entire loan portfolio. From the fourth quarter of 2005-06 to the fourth quarter of 2006-07, residential mortgages increased $587.3 million (9.21%), personal loans increased $617.5 million (24.86%), business loans increased $886.8 million (15.22%), and credit cards increased $48.7 million (15.25%). The fourth quarter results, as compared to the preceding third quarter, also reflect growth in every component of the portfolio, with the largest dollar increases coming from residential mortgages ($176.7 million), personal loans ($182.5 million), and business loans ($147.5 million).

Total deposits also increased in the fourth quarter of 2006-07, up $2.38 billion from the fourth quarter of 2005-06 and $447.8 million from the preceding third quarter. In both cases, the majority of the growth came from business deposits.

ATB's total equity as at March 31, 2007, is $1.62 billion, up $49.2 million from the end of the third quarter of 2006-07 and $274.4 million from a year ago, reflecting the NI earned over the 2006-07 fiscal year.

Summarized Financial Results

Consolidated Balance Sheet

As at ($ in thousands)	2007 Q4 Mar 31/07	2007 Q3 Dec 31/06	2007 Q2 Sep 30/06	2007 Q1 Jun 30/06	2006 Q4 Mar 31/06	2006 Q3 Dec 31/05	2006 Q2 Sep 30/05	2006 Q1 Jun 30/05
Assets								
Cash resources and securities	$ 2,780,435	$ 2,904,350	$ 2,809,911	$ 3,090,515	$ 2,435,569	$ 2,477,492	$ 2,260,198	$ 2,040,547
Loans:								
Residential mortgages	6,965,985	6,789,255	6,658,993	6,517,476	6,378,725	6,245,750	6,123,296	5,978,173
Personal	3,101,429	2,918,954	2,788,018	2,634,907	2,483,980	2,403,307	2,329,874	2,203,602
Credit card	368,329	366,570	352,141	331,057	319,591	332,422	313,723	292,333
Business and other	6,712,420	6,564,927	6,369,052	5,986,062	5,825,602	5,685,983	5,369,397	5,324,410
Allowance for credit losses	(153,834)	(143,303)	(142,125)	(162,554)	(161,204)	(164,797)	(159,654)	(159,433)
Other assets	519,954	432,005	484,747	396,427	365,552	448,140	353,007	411,993
Total assets	$20,294,718	$19,832,758	$19,320,737	$18,793,890	$17,647,815	$17,428,297	$16,589,841	$16,091,625
Liabilities and equity								
Deposits								
Personal	$ 9,156,823	$ 9,045,680	$ 8,911,329	$ 8,722,575	$ 8,475,619	$ 8,244,976	$ 8,109,708	$ 8,054,660
Business	9,096,015	8,759,317	8,482,838	8,248,106	7,394,689	7,458,168	$6,830,790	$6,441,045
Other liabilities	346,255	381,363	349,356	353,316	356,933	356,540	322,135	323,090
Subordinated debentures	72,242	72,242	72,242	58,840	71,579	71,579	71,579	71,579
Equity	1,623,383	1,574,156	1,504,972	1,411,053	1,348,995	1,297,034	1,255,629	1,201,251
Total liabilities and equity	$20,294,718	$19,832,758	$19,320,737	$18,793,890	$17,647,815	$17,428,297	$16,589,841	$16,091,625

Consolidated Statement of Income

For the three months ended ($ in thousands)	2007 Q4 Mar 31/07	2007 Q3 Dec 31/06	2007 Q2 Sep 30/06	2007 Q1 Jun 30/06	2006 Q4 Mar 31/06	2006 Q3 Dec 31/05	2006 Q2 Sep 30/05	2006 Q1 Jun 30/05
Interest income	$ 280,919	$ 279,587	$ 267,820	$ 249,956	$ 224,713	$ 210,412	$ 194,248	$ 185,296
Interest expense	(134,833)	(131,037)	(124,783)	(115,824)	(100,591)	(90,851)	(82,503)	(78,473)
Net interest income	146,086	148,550	143,037	134,132	124,122	119,561	111,745	106,823
Other income	49,864	44,596	42,788	42,413	46,825	33,768	38,025	37,003
Operating revenue	195,950	193,146	185,825	176,545	170,947	153,329	149,770	143,826
Provision for (recovery of) credit losses	11,253	2,285	(20,108)	1,359	(1,600)	7,081	(317)	(4,476)
Non-interest expenses	135,470	121,677	112,014	113,128	120,586	104,843	95,709	97,325
Net income	$ 49,227	$ 69,184	$ 93,919	$ 62,058	$ 51,961	$ 41,405	$ 54,378	$ 50,977

Summarized Financial Results

Consolidated Statement of Cash Flows

	2007				2006			
For the three months ended ($ in thousands)	Q4 Mar 31/07	Q3 Dec 31/06	Q2 Sep 30/06	Q1 Jun 30/06	Q4 Mar 31/06	Q3 Dec 31/05	Q2 Sep 30/05	Q1 Jun 30/05
Cash flows from operating activities								
Net income	$ 49,227	$ 69,184	$ 93,919	$ 62,058	$ 51,961	$ 41,405	$ 54,378	$ 50,977
Adjustments to determine net cash flows								
Provision for (recovery of) credit losses	11,253	2,285	(20,108)	1,359	(1,600)	7,081	(317)	(4,476)
Amortization	7,432	7,198	7,415	7,173	7,515	6,976	6,880	6,515
Net changes in accrued interest receivable and payable	(5,864)	(4,008)	1,335	10,754	(11,480)	(11,009)	1,941	17,928
Other items, net	(104,201)	95,774	(79,908)	(35,880)	118,929	(47,944)	55,440	(75,938)
Net cash (used in) provided by operating activities	(42,153)	170,433	2,653	45,464	165,325	(3,491)	118,322	(4,994)
Cash flows from financing activities								
Net change in deposits	447,841	410,830	423,486	1,100,373	167,164	762,646	444,792	655,674
Issue of subordinated debentures	–	–	13,401	–	–	–	–	15,785
Repayment of subordinated debentures	–	–	–	(12,738)	–	–	–	(9,925)
Net cash provided by financing activities	447,841	410,830	436,887	1,087,635	167,164	762,646	444,792	661,534
Cash flows from investing activities								
Net change in interest-bearing deposits with financial institutions	56,130	(93,387)	97,176	(100,745)	161,368	(136,353)	(161,041)	86,599
Purchase of investment securities	(5,631,884)	(4,588,653)	(4,009,779)	(4,926,625)	(2,821,213)	(3,290,201)	(2,673,857)	(2,223,343)
Proceeds from investment securities	5,702,470	4,513,421	4,097,075	4,540,598	2,713,139	3,237,375	2,559,704	2,049,463
Net change in loans	(509,179)	(472,609)	(699,023)	(461,613)	(342,429)	(533,112)	(337,232)	(496,692)
Net purchases of premises and equipment	(20,424)	(14,215)	(21,121)	(16,540)	(31,983)	(8,749)	(6,231)	(5,335)
Net cash flows used in investing activities	(402,887)	(655,443)	(535,672)	(964,925)	(321,118)	(731,040)	(618,657)	(589,308)
Net increase (decrease) in cash and cash equivalents	2,801	(74,180)	(96,132)	168,174	11,371	28,115	(55,543)	67,232
Cash and cash equivalents at beginning of quarter	75,316	149,496	245,628	77,454	66,083	37,968	93,511	26,279
Cash and cash equivalents at end of quarter, represented by cash	$ 78,117	$ 75,316	$ 149,496	$ 245,628	$ 77,454	$ 66,083	$ 37,968	$ 93,511
Supplementary cash flow information:								
Interest paid during the period	$ 140,214	$ 152,365	$ 90,676	$ 100,308	$ 136,625	$ 94,047	$ 66,525	$ 58,518

Segmented Results

Three months ended ($ in thousands)	Net interest income	Other income	Operating revenue	Provision for (recovery of) credit losses	Non-interest expenses	Net income (loss)	Total assets	Total liabilities
March 31, 2007								
Personal and Business Financial Services	$ 106,222	$ 30,650	$ 136,872	$ 5,393	$ 103,799	$ 27,680	$ 13,645,926	$ 13,974,317
Corporate Financial Services	17,462	3,447	20,909	7,089	5,754	8,066	3,454,594	1,875,709
Investor Services	1,948	8,458	10,406	–	11,159	(753)	2,800	436,294
Other business units	20,454	7,309	27,763	(1,229)	14,758	14,234	3,191,398	2,385,015
Total	$ 146,086	$ 49,864	$ 195,950	$ 11,253	$ 135,470	$ 49,227	$ 20,294,718	$ 18,671,335
December 31, 2006								
Personal and Business Financial Services	$ 108,566	$ 28,795	$ 137,361	$ 2,281	$ 98,371	$ 36,709	$ 13,207,006	$ 13,689,150
Corporate Financial Services	16,626	3,915	20,541	2,522	5,081	12,938	3,242,892	1,861,412
Investor Services	1,106	7,465	8,571	–	8,541	30	2,959	399,199
Other business units	22,252	4,421	26,673	(2,518)	9,684	19,507	3,379,901	2,308,841
Total	$ 148,550	$ 44,596	$ 193,146	$ 2,285	$ 121,677	$ 69,184	$ 19,832,758	$ 18,258,602
September 30, 2006								
Personal and Business Financial Services	$ 106,752	$ 31,740	$ 138,492	$ (18,471)	$ 91,979	$ 64,984	$ 13,035,425	$ 13,811,116
Corporate Financial Services	14,737	3,795	18,532	478	4,315	13,739	2,933,455	1,674,362
Investor Services	1,073	6,795	7,868	–	8,472	(604)	2,785	373,044
Other business units	20,475	458	20,933	(2,115)	7,248	15,800	3,349,072	1,957,243
Total	$ 143,037	$ 42,788	$ 185,825	$ (20,108)	$ 112,014	$ 93,919	$ 19,320,737	$ 17,815,765
June 30, 2006								
Personal and Business Financial Services	$ 101,636	$ 28,277	$ 129,913	$ 2,098	$ 91,254	$ 36,561	$ 12,653,677	$ 13,533,112
Corporate Financial Services	13,690	3,744	17,434	1,914	4,129	11,391	2,592,388	1,739,535
Investor Services	1,000	6,251	7,251	–	7,897	(646)	2,010	282,285
Other business units	17,806	4,141	21,947	(2,653)	9,848	14,752	3,545,815	1,827,905
Total	$ 134,132	$ 42,413	$ 176,545	$ 1,359	$ 113,128	$ 62,058	$ 18,793,890	$ 17,382,837
Year ended March 31, 2007	$ 571,805	$ 179,661	$ 751,466	$ (5,211)	$ 482,289	$ 274,388	$ 20,294,718	$ 18,671,335

Segmented Results

Three months ended ($ in thousands)	Net interest income	Other income	Operating revenue	Provision for (recovery of) credit losses	Non-interest expenses	Net income (loss)	Total assets	Total liabilities
March 31, 2006								
Personal and Business Financial Services	$ 91,874	$ 26,607	$ 118,481	$ 693	$ 97,617	$ 20,171	$ 12,312,888	$ 12,742,483
Corporate Financial Services	12,607	3,062	15,669	487	4,432	10,750	2,470,280	1,535,113
Investor Services	2,012	5,438	7,450	–	8,373	(923)	1,590	229,939
Other business units	17,629	11,718	29,347	(2,780)	10,164	21,963	2,863,057	1,791,285
Total	$ 124,122	$ 46,825	$ 170,947	$ (1,600)	$ 120,586	$ 51,961	$ 17,647,815	$ 16,298,820
December 31, 2005								
Personal and Business Financial Services	$ 91,638	$ 27,350	$ 118,988	$ 7,529	$ 82,995	$ 28,464	$ 12,172,757	$ 14,363,420
Corporate Financial Services	12,164	2,749	14,913	2,515	4,508	7,890	2,256,991	1,513,699
Investor Services	442	4,842	5,284	–	7,232	(1,948)	1,528	195,551
Other business units	15,317	(1,173)	14,144	(2,963)	10,108	6,999	2,997,021	58,593
Total	$ 119,561	$ 33,768	$ 153,329	$ 7,081	$ 104,843	$ 41,405	$ 17,428,297	$ 16,131,263
September 30, 2005								
Personal and Business Financial Services	$ 89,751	$ 28,133	$ 117,884	$ 6,504	$ 78,980	$ 32,400	$ 11,805,810	$ 12,155,341
Corporate Financial Services	11,826	2,832	14,658	1,672	5,350	7,636	2,082,623	1,259,993
Investor Services	698	4,001	4,699	–	8,005	(3,306)	1,373	159,916
Other business units	9,470	3,059	12,529	(8,493)	3,374	17,648	2,700,035	1,758,962
Total	$ 111,745	$ 38,025	$ 149,770	$ (317)	$ 95,709	$ 54,378	$ 16,589,841	$ 15,334,212
June 30, 2005								
Personal and Business Financial Services	$ 86,798	$ 27,274	$ 114,072	$ (413)	$ 77,290	$ 37,195	$ 11,449,277	$ 11,992,252
Corporate Financial Services	11,351	3,699	15,050	494	2,311	12,245	2,100,707	1,202,183
Investor Services	–	4,015	4,015	–	7,187	(3,172)	4,192	137,674
Other business units	8,674	2,015	10,689	(4,557)	10,537	4,709	2,537,449	1,558,265
Total	$ 106,823	$ 37,003	$ 143,826	$ (4,476)	$ 97,325	$ 50,977	$ 16,091,625	$ 14,890,374
Year ended March 31, 2006	$ 462,251	$ 155,621	$ 617,872	$ 688	$ 418,463	$ 198,721	$ 17,647,815	$ 16,298,820

Other Information

For the three months ended ($ in thousands)	2007 Q4 Mar 31/07	2007 Q3 Dec 31/06	2007 Q2 Sep 30/06	2007 Q1 Jun 30/06	2006 Q4 Mar 31/06	2006 Q3 Dec 31/05	2006 Q2 Sep 30/05	2006 Q1 Jun 30/05
Allowance for credit losses								
Balance at beginning of quarter	$ 146,249	$ 145,097	$ 165,761	$ 164,447	$ 168,246	$ 163,566	$ 164,778	$ 172,976
Write-offs	(1,450)	(2,678)	(1,684)	(1,450)	(3,480)	(4,007)	(1,542)	(5,555)
Recoveries	1,127	1,545	1,128	1,405	1,281	1,606	647	1,833
Provision for (recovery of) credit losses	11,253	2,285	(20,108)	1,359	(1,600)	7,081	(317)	(4,476)
Balance at end of quarter	$ 157,179	$ 146,249	$ 145,097	$ 165,761	$ 164,447	$ 168,246	$ 163,566	$ 164,778
Employee future benefits								
Net pension benefit expense	$ 5,258	$ 5,081	$ 5,062	$ 5,078	$ 10,482	$ 4,093	$ 3,216	$ 1,639
Key performance measures								
Operating revenue growth [1]	14.63	25.97	24.07	22.75	20.97	9.79	13.68	14.76
Net interest margin [2]	2.95	3.03	3.04	2.96	2.90	2.81	2.72	2.73
Net interest spread on average earning assets [2]	3.01	3.10	3.11	3.02	2.96	2.87	2.78	2.79
Other income to operating revenues	25.45	23.09	23.03	24.02	27.39	22.02	25.39	25.73
Non-interest expense to operating revenue	69.13	63.00	60.28	64.08	70.54	68.38	63.90	67.67
Return on average assets [2]	0.99	1.41	2.00	1.37	1.21	0.97	1.32	1.30
Operating expense growth [1]	12.34	16.06	17.04	16.24	21.41	19.60	8.73	7.74
Net impaired loans to total gross loans	(0.62)	(0.58)	(0.53)	(0.67)	(0.66)	(0.62)	(0.53)	(0.57)
Credit losses to average loans [2]	0.27	0.06	(0.51)	0.04	(0.04)	0.20	(0.01)	(0.13)
Loan growth [1]	14.47	13.75	14.66	12.23	13.01	12.75	10.70	9.77
Deposit growth [1]	15.01	13.38	16.42	17.07	14.67	13.67	12.16	9.39
Asset growth [1]	15.00	13.80	16.46	16.79	14.74	14.40	12.77	10.60

1 *Growth percentage calculated over trailing one-year period.*

2 *Measure calculated as average over trailing three-month period.*

SUPPLEMENTARY INFORMATION

Consolidated Balance Sheet

As at March 31 ($ in thousands)	**2007**	2006	2005	2004	2003	2002	2001	2000
Assets								
Cash resources								
Cash	**$ 78,117**	$ 77,454	$ 26,279	$ 101,281	$ 72,750	$ 120,061	$ 139,896	$ 81,114
Interest-bearing deposits with financial institutions	**1,017,497**	976,671	927,244	956,727	579,607	752,269	752,519	494,903
	1,095,614	1,054,125	953,523	1,058,008	652,357	872,330	892,415	576,017
Securities	**1,684,821**	1,381,444	932,511	854,997	578,850	807,793	926,180	692,453
Loans, net of allowance for credit losses								
Residential mortgage	**6,965,985**	6,378,725	5,818,780	5,378,595	4,961,459	4,428,527	3,980,759	3,652,135
Personal	**3,101,429**	2,483,980	2,093,423	1,857,028	1,689,679	1,529,848	1,502,712	1,362,141
Credit card	**368,329**	319,591	287,253	270,098	235,865	195,900	150,752	94,771
Business	**6,712,420**	5,825,602	5,106,655	4,818,228	4,979,212	4,420,018	4,088,618	3,988,761
Allowance for credit losses	**(153,834)**	(161,204)	(168,194)	(192,896)	(174,733)	(173,730)	(168,589)	(164,233)
	16,994,329	14,846,694	13,137,917	12,131,053	11,691,482	10,400,563	9,554,252	8,933,575
Other								
Premises and equipment	**177,561**	134,479	110,067	93,016	81,322	74,661	74,183	63,616
Other assets	**342,393**	231,073	247,214	168,736	179,984	198,463	205,502	166,451
	519,954	365,552	357,281	261,752	261,306	273,124	279,685	230,067
	$ 20,294,718	$ 17,647,815	$ 15,381,232	$ 14,305,810	$ 13,183,995	$ 12,353,810	$ 11,652,532	$ 10,432,112
Liabilities and equity								
Deposits								
Payable on demand	**$ 5,143,729**	$ 4,492,175	$ 3,596,652	$ 3,120,136	$ 2,396,930	$ 2,363,524	$ 1,875,454	$ 1,656,730
Payable after notice	**2,584,039**	1,893,787	1,358,758	1,124,359	1,507,233	1,561,329	1,437,830	1,353,069
Payable on a fixed date	**10,525,070**	9,484,346	8,884,622	8,790,625	8,192,748	7,500,357	7,605,579	6,914,827
	18,252,838	15,870,308	13,840,032	13,035,120	12,096,911	11,425,210	10,918,863	9,924,626
Other liabilities	**346,255**	356,933	325,207	262,313	250,731	306,385	282,118	227,329
Subordinated debentures	**72,242**	71,579	65,719	45,416	45,416	30,182	17,444	7,519
Equity	**1,623,383**	1,348,995	1,150,274	962,961	790,937	592,033	434,107	272,638
	$ 20,294,718	$ 17,647,815	$ 15,381,232	$ 14,305,810	$ 13,183,995	$ 12,353,810	$ 11,652,532	$ 10,432,112

Consolidated Statement of Income and Changes in Equity

Years ended March 31 ($ in thousands)	2007	2006	2005	2004	2003	2002	2001	2000
Interest income								
Loans	$ 960,074	$ 748,741	$ 657,838	$ 695,106	$ 657,374	$ 669,422	$ 726,242	$ 644,255
Securities	71,593	35,630	20,188	22,268	18,613	34,697	43,355	28,085
Deposits with financial institutions	46,615	30,298	21,857	23,227	21,537	35,326	40,229	31,401
	1,078,282	814,669	699,883	740,601	697,524	739,445	809,826	703,741
Interest expense								
Deposits	503,143	348,994	297,791	340,627	330,896	372,243	446,959	371,561
Subordinated debentures	3,334	3,424	3,346	2,690	2,468	1,619	898	309
	506,477	352,418	301,137	343,317	333,364	373,862	447,857	371,870
Net interest income	571,805	462,251	398,746	397,284	364,160	365,583	361,969	331,871
Other income								
Service charges	68,241	64,275	60,227	58,174	54,277	50,406	49,050	46,462
Credit fees	29,738	30,068	29,525	28,216	26,520	25,581	17,238	17,677
Investor Services	28,526	17,994	8,632	3,276	1,594	1,265	732	270
Card fees	27,919	23,649	18,599	15,636	13,892	12,679	10,182	7,182
Insurance	10,789	10,150	11,468	4,119	3,798	3,499	4,384	3,796
Foreign exchange	8,625	7,451	6,689	5,930	5,314	5,153	5,489	3,659
Sundry	5,823	2,034	4,168	921	2,047	2,626	2,000	15,514
	179,661	155,621	139,308	116,272	107,442	101,209	89,075	94,560
Total operating revenue	751,466	617,872	538,054	513,556	471,602	466,792	451,044	426,431
(Recovery of) provision for credit losses	(5,211)	688	(14,594)	15,859	(43,211)	21,095	20,969	(41,821)
Non-interest expenses								
Human resources	258,192	221,270	190,876	169,156	161,491	147,766	136,018	112,661
Data processing	60,176	53,170	46,535	43,875	41,753	37,914	35,286	34,747
Premises and occupancy, including amortization	43,078	37,136	35,894	35,383	33,028	30,861	29,949	29,213
Professional and consulting costs	26,816	22,350	13,627	12,462	12,297	8,450	8,426	11,063
Equipment and software, including amortization	20,275	19,411	18,179	15,191	13,894	12,043	12,365	9,463
Marketing and supplies	19,432	17,948	15,156	12,561	12,346	9,780	10,508	11,030
Other	17,116	10,706	10,749	8,020	7,536	9,136	7,802	7,046
Communication	14,793	14,117	12,380	11,441	11,854	11,310	10,800	10,285
Deposit guarantee fee	14,156	15,236	15,784	11,836	15,985	15,234	12,739	9,925
ATB agencies	8,255	7,119	6,155	5,748	5,725	5,277	4,713	4,329
	482,289	418,463	365,335	325,673	315,909	287,771	268,606	239,762
Net income	274,388	198,721	187,313	172,024	198,904	157,926	161,469	228,490
Equity at beginning of year	1,348,995	1,150,274	962,961	790,937	592,033	434,107	272,638	44,148
Equity at end of year	$ 1,623,383	$ 1,348,995	$ 1,150,274	$ 962,961	$ 790,937	$ 592,033	$ 434,107	$ 272,638

Consolidated Statement of Cash Flows

Years ended March 31 ($ in thousands)	2007	2006	2005	2004	2003	2002	2001	2000
Cash flows from operating activities								
Net income	$ 274,388	$ 198,721	$ 187,313	$ 172,024	$ 198,904	$ 157,926	$ 161,469	$ 228,490
Adjustments to determine net cash flows:								
(Recovery of) provision for credit losses	(5,211)	688	(14,594)	15,859	(43,211)	21,095	20,969	(41,821)
Amortization	29,218	27,886	25,862	24,676	20,107	17,419	16,379	14,041
Net changes in accrued interest receivable and payable	2,217	(2,620)	(10,263)	9,138	12,604	4,867	14,233	(3,255)
Other items, net	(124,215)	50,487	(5,321)	13,692	(49,779)	26,439	1,505	(23,927)
Net cash provided by operating activities	176,397	275,162	182,997	235,389	138,625	227,746	214,555	173,528
Cash flows from financing activities								
Net change in deposits	2,382,530	2,030,276	804,912	938,209	671,701	506,347	994,237	902,316
Issuance of subordinated debentures	13,401	15,785	27,822	–	15,234	12,738	9,925	7,519
Repayment of subordinated debentures	(12,738)	(9,925)	(7,519)	–	–	–	–	–
Net cash provided by financing activities	2,383,193	2,036,136	825,215	938,209	686,935	519,085	1,004,162	909,835
Cash flows from investing activities								
Net change in interest-bearing deposits with financial institutions	(40,826)	(49,427)	29,483	(377,120)	172,662	250	(260,374)	(56,474)
Purchase of investment securities	(19,156,941)	(11,008,614)	(7,910,221)	(7,802,340)	(6,653,500)	(8,595,386)	(6,762,829)	(5,100,139)
Proceeds from investment securities	18,853,564	10,559,681	7,832,707	7,526,193	6,882,443	8,713,773	6,531,860	4,938,394
Net change in loans	(2,142,424)	(1,709,465)	(992,270)	(455,430)	(1,247,708)	(867,406)	(641,646)	(854,978)
Net purchases of premises and equipment	(72,300)	(52,298)	(42,913)	(36,370)	(26,768)	(17,897)	(26,946)	(23,486)
Net cash used in investing activities	(2,558,927)	(2,260,123)	(1,083,214)	(1,145,067)	(872,871)	(766,666)	(1,159,935)	(1,096,683)
Net increase (decrease) in cash and cash equivalents	663	51,175	(75,002)	28,531	(47,311)	(19,835)	58,782	(13,320)
Cash and cash equivalents at beginning of year	77,454	26,279	101,281	72,750	120,061	139,896	81,114	94,434
Cash and cash equivalents at end of year, represented by cash	$ 78,117	$ 77,454	$ 26,279	$ 101,281	$ 72,750	$ 120,061	$ 139,896	$ 81,114
Supplementary cash flow information:								
Amount of interest paid during the year	$ 483,563	$ 355,715	$ 307,942	$ 341,462	$ 335,260	$ 378,411	$ 401,759	$ 359,661

CONSOLIDATED FINANCIAL STATEMENT INDEX

STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Alberta Treasury Branches ("ATB Financial" or "ATB") and all other information contained in the annual report, including management's discussion and analysis of ATB's operating results and financial position ("MD&A"), have been prepared and presented by management, who are responsible for the integrity and fair presentation of the information therein. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

Other financial information presented in this annual report is consistent with that in the consolidated financial statements. The consolidated financial statements, the MD&A, and related financial information presented in this annual report reflect amounts determined by management based on informed judgments and estimates as to the expected future effects of current events and transactions with appropriate consideration to materiality.

Management is responsible for the design and maintenance of an accounting and financial reporting system along with the supporting systems of internal controls designed to provide reasonable assurance as to the reliability of financial information, that transactions are properly authorized and recorded and liabilities are recognized, and to ensure ATB's assets are appropriately safeguarded. These controls include written policies and procedures, the careful selection and training of qualified staff, a corporate code of conduct, and the establishment of organizational structures with well-defined delegations of authority that provide appropriately defined divisions of responsibilities and accountabilities for performances.

The Vice-President Internal Audit and his team of internal auditors periodically review and evaluate all aspects of ATB's operations and, in particular, its systems of internal controls. The Vice-President Internal Audit has full and unrestricted access to, and meets regularly with, the Audit Committee to discuss the results of his team's work.

The Board of Directors, acting through the Audit Committee, oversees management's responsibilities for ATB's financial reporting and systems of internal control. The Audit Committee reviews the consolidated financial statements and other financial information presented in the quarterly and annual reports, as well as any issues related to them, with both management and the external auditors before recommending the consolidated financial statements for approval to the Board. Their review of the consolidated financial statements includes an assessment of key management estimates and judgments material to the financial results. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems.

The Auditor General of Alberta has been engaged to perform an independent, external audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the report following. The Auditor General has full and unrestricted access to the Audit Committee and meets with them periodically, both in the presence and absence of management, to discuss their audit, including any findings as to the integrity of ATB's financial reporting processes and the adequacy of our systems of internal controls.

Robert Splane

Chairman of the Board
Edmonton, Alberta
May 17, 2007

Bob Normand

President and Chief Executive Officer
Edmonton, Alberta
May 17, 2007

Jim McKillop

Chief Financial Officer
Edmonton, Alberta
May 17, 2007

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Consolidated Balance Sheet of Alberta Treasury Branches as at March 31, 2007, and the Consolidated Statement of Income and Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

Fred J Dunn

FCA
Auditor General

Edmonton, Alberta
May 17, 2007

AUDITOR GENERAL *Alberta*

CONSOLIDATED BALANCE SHEET

As at March 31 ($ in thousands)	2007	2006
Assets		
Cash resources *(Note 4)*		
Cash	$ 78,117	$ 77,454
Interest-bearing deposits with financial institutions	1,017,497	976,671
	1,095,614	1,054,125
Securities *(Note 5)*	1,684,821	1,381,444
Loans *(Notes 6 and 7)*		
Residential mortgage	6,965,985	6,378,725
Personal	3,101,429	2,483,980
Credit card	368,329	319,591
Business	6,712,420	5,825,602
Allowance for credit losses	(153,834)	(161,204)
	16,994,329	14,846,694
Other		
Premises and equipment *(Note 8)*	177,561	134,479
Other assets *(Note 9)*	342,393	231,073
	519,954	365,552
	$ 20,294,718	$ 17,647,815
Liabilities and equity		
Deposits *(Note 10)*		
Personal	$ 9,156,823	$ 8,475,619
Business and other	9,096,015	7,394,689
	18,252,838	15,870,308
Other liabilities *(Note 11)*	346,255	356,933
Subordinated debentures *(Note 12)*	72,242	71,579
Equity	1,623,383	1,348,995
	$ 20,294,718	$ 17,647,815

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

Robert Splane

Chairman of the Board

Brian McCook

Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN EQUITY

For the years ended March 31 ($ in thousands)	2007	2006	2005
Interest income			
Loans	$ 960,074	$ 748,741	$ 657,838
Securities	71,593	35,630	20,188
Deposits with financial institutions	46,615	30,298	21,857
	1,078,282	814,669	699,883
Interest expense			
Deposits	503,143	348,994	297,791
Subordinated debentures	3,334	3,424	3,346
	506,477	352,418	301,137
Net interest income	571,805	462,251	398,746
Other income			
Service charges	68,241	64,275	60,227
Credit fees	29,738	30,068	29,525
Investor Services	28,526	17,994	8,632
Card fees	27,919	23,649	18,599
Insurance	10,789	10,150	11,468
Foreign exchange	8,625	7,451	6,689
Sundry	5,823	2,034	4,168
	179,661	155,621	139,308
Total operating revenue	751,466	617,872	538,054
(Recovery of) provision for credit losses *(Note 7)*	(5,211)	688	(14,594)
Non-interest expenses			
Human resources *(Notes 13 and 16)*	258,192	221,270	190,876
Data processing	60,176	53,170	46,535
Premises and occupancy, including amortization	43,078	37,136	35,894
Professional and consulting costs	26,816	22,350	13,627
Equipment and software, including amortization	20,275	19,411	18,179
Marketing and supplies	19,432	17,948	15,156
Other	17,116	10,706	10,749
Communication	14,793	14,117	12,380
Deposit guarantee fee	14,156	15,236	15,784
ATB agencies	8,255	7,119	6,155
	482,289	418,463	365,335
Net income	274,388	198,721	187,313
Equity at beginning of year	1,348,995	1,150,274	962,961
Equity at end of year	$ 1,623,383	$ 1,348,995	$ 1,150,274

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31 ($ in thousands)	2007	2006	2005
Cash flows from operating activities			
Net income	$ 274,388	$ 198,721	$ 187,313
Adjustments to determine net cash flows:			
(Recovery of) provision for credit losses	(5,211)	688	(14,594)
Amortization	29,218	27,886	25,862
Net changes in accrued interest receivable and payable	2,217	(2,620)	(10,263)
Other items, net	(124,215)	50,487	(5,321)
Net cash provided by operating activities	176,397	275,162	182,997
Cash flows from financing activities			
Net change in deposits	2,382,530	2,030,276	804,912
Issuance of subordinated debentures	13,401	15,785	27,822
Repayment of subordinated debentures	(12,738)	(9,925)	(7,519)
Net cash provided by financing activities	2,383,193	2,036,136	825,215
Cash flows from investing activities			
Net change in interest-bearing deposits with financial institutions	(40,826)	(49,427)	29,483
Purchase of investment securities	(19,156,941)	(11,008,614)	(7,910,221)
Proceeds from investment securities	18,853,564	10,559,681	7,832,707
Net change in loans	(2,142,424)	(1,709,465)	(992,270)
Net purchases of premises and equipment	(72,300)	(52,298)	(42,913)
Net cash used in investing activities	(2,558,927)	(2,260,123)	(1,083,214)
Net increase (decrease) in cash and cash equivalents	663	51,175	(75,002)
Cash and cash equivalents at beginning of year	77,454	26,279	101,281
Cash and cash equivalents at end of year, represented by cash	$ 78,117	$ 77,454	$ 26,279
Supplementary cash flow information:			
Amount of interest paid during the year	$ 483,563	$ 355,715	$ 307,942

The accompanying notes are an integral part of these consolidated financial statements.

1. Authority

Alberta Treasury Branches ("ATB") is an agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Revised Statutes of Alberta, 2000, chapter A-37. Under the Act, ATB was established as a provincial Crown corporation governed by a board of directors appointed by the Lieutenant Governor in Council.

ATB is exempt from Canadian federal and Alberta provincial income taxes. Its primary business is providing financial services within Alberta.

2. Basis of Presentation

Management has prepared these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of balance sheet assets and liabilities and disclosure of contingent assets and liabilities as at the balance sheet date as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from these estimates and the impact of any such differences will be recorded in future periods.

The most significant amounts and disclosures where ATB must make estimates include the allowances for credit losses, amortization of premises and equipment, assumptions underlying the accounting for employee future benefit obligations, and the fair value of financial instruments, including derivative financial instruments.

Basis of Consolidation

These consolidated financial statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All inter-company transactions and balances have been eliminated from the consolidated results.

The following wholly owned subsidiaries, created for the purpose of offering investor services, are established by Order-In-Council and incorporated under the Business Corporation Act (Alberta):

- ATB Investment Services Inc.: incorporated October 3, 1997;
- ATB Investment Management Inc.: incorporated August 21, 2002;
- ATB Securities Inc.: incorporated February 6, 2003; and
- ATB Insurance Advisors Inc.: incorporated July 21, 2006.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Operating revenues and expenses related to foreign currency transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in foreign exchange in the Consolidated Statement of Income.

Other Significant Accounting Policies

Other significant accounting policies followed in the preparation of these consolidated financial statements are disclosed throughout the following notes, along with the related financial disclosures.

Comparative Amounts

Certain comparative amounts have been reclassified where necessary to conform to the presentation adopted in the current year.

3. *Changes in Accounting Policies*

In the current year, ATB has not adopted any new accounting pronouncements issued by Canadian standard-setters as none were relevant to the accounts for the year ended March 31, 2007. During the year, ATB changed an element of its accounting policy for employee future benefits (refer to Note 13 for details).

4. *Cash Resources*

Cash consists of cash on hand, bank notes, coin, and non-interest-bearing deposits with the Bank of Canada and other financial institutions, all of which are recorded at cost. Interest-bearing deposits are recorded at cost and interest income is recorded on an accrual basis.

Amounts receivable from and payable to other financial institutions related to cheques and other items in transit via the clearing process are recorded at cost as other assets (see Note 9) and other liabilities (see Note 11).

The Investor Services subsidiaries held restricted cash balances (clients' cash held in trust) amounting to $12,769 as at March 31, 2007 (2006: $11,979).

5. *Securities*

Debt securities are recognized at unamortized acquisition cost and any premiums or discounts are amortized using the effective yield method over the period to maturity. All debt securities held are purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. ATB restricts its investments to those issued by the federal and provincial government and investment grade banks and corporate paper.

Interest income and any amortization of premiums and discounts are recorded in interest income – securities in the Consolidated Statement of Income. Gains and losses realized on the disposal of securities, calculated using the average cost method, and any provisions for loss in value that are considered to be other than temporary, are also included in interest income – securities in the period of disposal or impairment.

The carrying value of securities, by remaining term to maturity, is as follows:

	2007			2006
	Less than 1 year	From 1 to 5 years	Total carrying value	Total carrying value
Issued or guaranteed by the Canadian federal government	$ 110,705	$ –	$ 110,705	$ 12,594
Corporate debt	1,464,126	109,990	1,574,116	1,368,850
	$ 1,574,831	$ 109,990	$ 1,684,821	$ 1,381,444

The total carrying value of corporate debt securities in the preceding schedule includes securities denominated in US funds totalling $29,414 as at March 31, 2007 (2006: $17,994).

As described in Note 15, ATB has pledged certain securities as at March 31, 2007, having total carrying value of $313,300 (2006: $198,340).

6. Loans

Loans are stated net of any unearned fee income and net of specific and general allowances for credit losses. Interest income is recorded on an accrual basis, except for impaired loans.

Impaired Loans

Impaired loans, except for credit cards, are classified as such when there is no longer reasonable assurance as to the timely collection of principal and interest, or when principal or interest payments are 90 days past due. Consumer credit card loans are classified as impaired and written off when payments become 180 days past due. Business and agricultural credit card loans that become past due for three consecutive billing cycles (or approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net realizable amount by writing off all or part of the loan or by taking a specific allowance for credit losses and interest income on the loan ceases to be accrued. Allowances are generally not recognized in respect of insured loans. No cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances and external legal fees have been recovered and all past-due principal has been paid. Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, legal fees have been recovered, and allowances for credit losses have been reversed.

Foreclosed assets held for sale in settlement of an impaired loan are measured at estimated fair value at the date of foreclosure and are presented as a component of loans in the Consolidated Balance Sheet. The value of such assets as at March 31, 2007 (and March 31, 2006) is insignificant.

Loan Fees and Costs

Loan fees in excess of a threshold are deferred and recognized as net interest income (2006: other income) in the Consolidated Statement of Income over the term of the loan. Loans not deferred are presented as a component of other income. The unrecognized portion of loan fees is netted against loans in the Consolidated Balance Sheet. Loan origination costs are expensed as incurred within non-interest expenses in the Consolidated Statement of Income.

Loans consist of the following:

	2007				2006
	Gross loans	Specific allowances	General allowances	Net carrying value	Net carrying value
Residential mortgage	$ 6,965,985	$ 528	$ 9,442	$ 6,956,015	$ 6,374,710
Personal	3,101,429	1,511	22,379	3,077,539	2,441,699
Credit card	368,329	–	10,376	357,953	311,064
Agricultural	1,302,064	3,120	13,789	1,285,155	1,295,767
Independent business	2,150,629	6,472	39,154	2,105,003	1,913,056
Commercial	3,259,727	376	46,687	3,212,664	2,510,398
	$ 17,148,163	$ 12,007	$ 141,827	$ 16,994,329	$ 14,846,694

The total net carrying value of loans above includes residential mortgages insured by Canadian Mortgage and Housing Corporation totalling $3,320,885 as at March 31, 2007 (2006: $3,131,749), and other insured loans totalling $101,615 (2006: $117,959).

The total net carrying value of loans above includes loans denominated in US funds totalling $133,562 as at March 31, 2007 (2006: $152,139).

Impaired loans (included in the preceding schedule) consist of the following:

	2007			2006
	Gross impaired loans	Specific allowance	Net carrying value	Net carrying value
Residential mortgage	$ 12,714	$ 528	$ 12,186	$ 18,814
Personal	5,471	1,511	3,960	4,716
Agricultural	15,986	3,120	12,866	13,493
Independent business	10,409	6,472	3,937	8,102
Commercial	2,155	376	1,779	1,063
	$ 46,735	$ 12,007	$ 34,728	$ 46,188

Concentration of Credit Risk

ATB faces credit risk from the risk of loss due to borrowers failing to meet their financial obligations. The loan portfolio represents the largest single source of credit risk to ATB, but credit risk also arises from off-balance sheet transactions such as over-the-counter derivatives and other credit instruments (see Notes 14 and 15, respectively).

Concentrations of credit risk exist where a significant number of credit consumers are located in the same geographic region, engage in similar activities, or have similar economic characteristics. Their ability to meet their contractual obligations to ATB is similarly affected by changes in economic, political, or other conditions.

ATB is inherently exposed to significant concentrations of credit risk as its customers are all participants in the Alberta economy, which, in past decades, has shown strong growth and occasional sharp declines. ATB manages its credit risk through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographical regions of Alberta.

As at March 31, 2007, no single industry segment represents more than 25.65% of total gross business loans and no single borrower represents more than 0.45% of the total gross loan portfolio (2006: 21.65% and 0.37%, respectively).

7. Allowance For Credit Losses

The allowance for credit losses is maintained at a level management considers adequate to absorb credit-related losses for all items in its credit portfolio. The allowance relates primarily to loans and other on-balance sheet items but also provides for any credit risk relating to off-balance sheet items such as derivative financial instruments (see Note 14) or loan guarantees and letters of credit (see Note 15).

The allowance for credit losses consists of specific allowances for impaired loans and general allowances for credit risks. It is presented in the Consolidated Balance Sheet as either a reduction of the related loan balance or, for amounts provided to cover potential losses from off-balance sheet items and any portion of loan-related allowances in excess of the loan balance, included in other liabilities. The allowance is increased by the provision for credit losses that represents ATB's net credit loss experience for the year and is recorded in the Consolidated Statement of Income. The allowance is decreased by the amount of any provision related to loans written off and is net of any recoveries of previously recognized provisions.

Specific Allowances

The specific allowances on non-consumer impaired loans (including credit card balances) are established on an item-by-item basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. Various methods are used to determine the net recoverable value of impaired loans, including the discounted value of estimated future cash flows, the fair value of any underlying security discounted to the amount recoverable in the event of realization, or the observable market value for the loan. The specific allowance on consumer loans is calculated using a formula based on recent loss experience. No specific allowance is provided for impaired consumer credit card loans, as balances are written off if payment has not been received within 180 days, though collection efforts may still continue. Any change in the amount we expect to recover on an impaired loan is reflected in the provision for credit losses in the Consolidated Statement of Income.

General Allowance

A general loan loss allowance ("GLLA") is established to provide for impairments in the credit portfolio as at the balance sheet date that cannot be specifically identified on an item-by-item basis and therefore have not been considered in the establishment of specific allowances.

The level of the general allowance is initially determined by applying expected loss factors to the loan and off-balance sheet credit portfolios. For consumer balances (including personal and other installment loans, residential mortgages, and personal credit cards, adjusted for expected utilization), expected losses are determined at the product portfolio level, based on credit rating-based loss ratios, expected default rates, and historical loss experiences. For commercial balances (including business loans, business credit cards, and credit instrument balances, adjusted for expected utilization), expected losses are determined at the borrower category level by reference to internal risk ratings, expected default rates by risk rating, and historical loss experiences. The consumer and commercial components of the general allowances thus determined are then adjusted to reflect management's best judgment concerning possible model and estimation risks, the strength of the Alberta economy, and the overall state of the business cycle.

The general allowance is reassessed quarterly and will normally fluctuate as a result of changes in credit portfolio levels, composition, and risk profile. Trends in probability of loss, severity of loss, and eventual exposure on default are also considered, as is management's assessment of other factors that may affect the losses inherent in the credit portfolio such as business mix, economic and credit market conditions, and trends.

Special General Allowance

In the event certain industry sectors experience specific changes in economic conditions or adverse events that are considered to increase credit risk, an additional special general allowance may be established. Such allowances are established to provide for losses inherent in the credit portfolio that have not been specifically identified and that the general allowance is not considered sufficient to provide for. The amount of any special general allowance is reassessed quarterly using expected loss methodologies that consider the probability of further changes in the conditions or adverse event that gave rise to the initial establishment of the allowance. The follow-on probability of default, potential loss given default, and the level of expected recoveries, if any, are also considered.

The general allowance for credit losses at the beginning of fiscal 2004-05 includes a special allowance of $8.0 million for losses related to Bovine Spongiform Encephalopathy ("BSE") (2004: $17.5 million). This special general allowance was first established as at June 30, 2003, and was drawn down over time as ATB came to understand the true impact of BSE on its clients. The special allowance was eliminated during the year ended March 31, 2006, and there have been no other special general allowances established since.

The continuity of the allowances for credit losses is as follows:

	Specific			General			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Balance at beginning of year	**$ 19,348**	$ 32,147	$ 39,935	**$ 145,099**	$ 140,829	$ 157,719	**$ 164,447**	$ 172,976	$ 197,654
Write-offs	**(7,262)**	(14,584)	(16,213)	–	–	–	**(7,262)**	(14,584)	(16,213)
Recoveries	**5,205**	5,367	6,129	–	–	–	**5,205**	5,367	6,129
(Recovery of) provision for credit losses, excluding impact of new GLLA methodology	**(1,939)**	(3,582)	2,296	**21,057**	4,270	(16,890)	**19,118**	688	(14,594)
Impact of new GLLA methodology [1]	–	–	–	**(24,329)**[1]	–	–	**(24,329)**[1]	–	–
Balance at end of year	**15,352**	19,348	32,147	**141,827**	145,099	140,829	**157,179**	164,447	172,976
Less: Allowance for cost of credit recovery included in other liabilities	**3,345**	3,243	4,782	–	–	–	**3,345**	3,243	4,782
Allowance for credit losses	**$ 12,007**	$ 16,105	$ 27,365	**$ 141,827**	$ 145,099	$ 140,829	**$ 153,834**	$ 161,204	$ 168,194

1 *During the second quarter, ATB implemented a refined methodology for establishing the level of its provision for general loan losses. This represents a change in estimate that resulted in a one-time recovery of $24.3 million and was accounted for prospectively.*

8. *Premises and Equipment*

Premises and equipment are carried at cost less accumulated amortization except for land, which is carried at cost. Buildings, computer equipment and software, other equipment, and leasehold improvements are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives for the various asset classes are as follows:

• Buildings	Up to 20 years
• Computer equipment and software	3 to 5 years
• Other equipment	5 to 10 years
• Leasehold improvements	Lease term plus first renewal period, to a maximum of 10 years

	2007			2006
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Land	$ 7,310	$ –	$ 7,310	$ 7,437
Buildings	69,826	55,359	14,467	16,277
Computer equipment and software	168,064	84,266	83,798	63,922
Other equipment	40,236	28,350	11,886	10,848
Leasehold improvements	119,639	59,539	60,100	35,995
	$ 405,075	$ 227,514	$ 177,561	$ 134,479

Amortization expense charged to the Consolidated Statement of Income for the year ended March 31, 2007, was $29,218 (2006: $27,886; 2005: $25,862).

Gains and losses on the disposal of assets are recorded in the Consolidated Statement of Income in the year of disposal. When events or changes in circumstances indicate that the carrying value of premises and equipment may not be recoverable, we assess whether the asset may have been impaired. The net carrying value of any such impaired assets are written down to their estimated fair value. There were no such impairment write-downs recognized during the year ended March 31, 2007 (2006: Nil; 2005: $4,525). These amounts are recorded in premises and occupancy, including amortization and equipment and software, including amortization in the Consolidated Statement of Income.

9. *Other Assets*

Other assets are comprised as follows:

	2007	2006
Accrued interest receivable	$ 146,292	$ 125,595
Cheques and other items in transit	127,200	64,000
Accrued pension benefit asset *(see Note 13)*	20,164	650
Prepaid expenses and other receivables	17,509	10,975
Premiums paid on derivative instruments	17,295	21,310
Fair value adjustment of derivative instruments ineligible for hedge accounting	9,090	3,929
Other	4,843	4,614
	$ 342,393	$ 231,073

10. *Deposits*

Deposit balances are comprised as follows:

	2007								2006
	Payable on demand	Payable after notice	Payable on a fixed date					Total	Total
			Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years		
Personal	$ 1,567,492	$ 1,753,260	$ 2,896,386	$ 1,439,493	$ 1,111,557	$ 233,626	$ 155,009	**$ 9,156,823**	$ 8,475,619
Business	3,576,237	830,779	2,770,235	118,427	102,904	15,865	15,589	**7,430,036**	6,103,312
Financial institutions	–	–	871,067	–	–	–	794,912	**1,665,979**	1,291,377
	$ 5,143,729	$ 2,584,039	$ 6,537,688	$ 1,557,920	$ 1,214,461	$ 249,491	$ 965,510	**$18,252,838**	$ 15,870,308

Total deposits presented above include $229,840 (2006: $221,879) denominated in US funds.

As at March 31, 2007, deposits by various departments and agencies of the government of the Province of Alberta included in the preceding schedule total $2,262 (2006: $3,577) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $516 (2006: $1,315).

The repayment of all deposits without limit, including accrued interest, is guaranteed by the Crown in right of Alberta in respect of which the Crown assesses an annual deposit guarantee fee against ATB. For the year ended March 31, 2007, an expense of $14,156 (2006: $15,236) was recognized in the Consolidated Statement of Income, representing the estimated fee of $15,989 (2006: $15,236) for the fiscal year, reduced by $1,833 (2006: Nil) in respect of an adjustment to prior year fees, which was agreed subsequent to the fiscal year-end.

11. *Other Liabilities*

Other liabilities are comprised as follows:

	2007	2006
Accrued interest payable	**$ 156,675**	$ 133,761
Accounts payable and accrued liabilities	**135,309**	115,595
Cheques and other items in transit	**17,700**	82,500
Deposit guarantee fee payable	**15,989**	15,236
Due to clients, brokers, and dealers	**11,837**	5,679
Other	**4,858**	1,258
Accrued pension benefit liability *(see Note 13)*	**3,887**	2,904
	$ 346,255	$ 356,933

12. *Subordinated Debentures*

ATB privately places debentures with the Crown in right of Alberta. These debentures, which are unsecured and subordinated to deposits and other liabilities, are issued following each fiscal year-end in respect of ATB's obligation for the year's deposit guarantee fee. These subordinated debentures are non-convertible, non-redeemable, non-transferable, and bear a fixed rate of interest payable semi-annually.

ATB's obligation for the deposit guarantee in respect of the year ended March 31, 2007, is recorded in other liabilities in the Consolidated Balance Sheet (see Note 11). Subordinated debentures, issued to March 31, 2007, are comprised as follows:

Maturity date	Interest rate	2007	2006
June 30, 2006	5.840%	$ –	$ 12,738
June 30, 2007	5.810%	15,234	15,234
June 30, 2008	4.287%	15,985	15,985
June 30, 2009	3.800%	11,837	11,837
June 30, 2010	4.200%	15,785	15,785
June 30, 2011	4.630%	13,401	–
		$ 72,242	$ 71,579

13. Employee Future Benefits

ATB provides future pension benefits to current and past employees through a combination of defined benefit and defined contribution plans but does not provide any other employee future benefits.

ATB's current non-management employees participate in the Public Service Pension Plan ("PSPP") with other Alberta public-sector employees. The PSPP is a defined benefit pension plan that provides benefits based on members' years of service and earnings. ATB provides its management employees with a registered pension plan ("the ATB Plan") with defined benefit ("DB") and defined contribution ("DC") provisions. ATB also provides a non-registered defined benefit supplemental plan ("the SRP") for designated management employees.

Effective July 15, 2006, ATB finalized arrangements with the Government of Alberta to assume pension obligations relating to current ATB employees who participated in the PSPP prior to joining the ATB Plan (hereinafter referred to as the "PSPP take-on"). The arrangements formalize ATB's commitment to provide combined pensionable service ("CPS") benefits for qualifying members whose CPS benefits were affected by the withdrawal of ATB from the Management Employees Pension Plan.

Following the execution of the PSPP take-on agreements, certain assets and liabilities were transferred from the PSPP into the ATB Plan in respect of all employees promoted to management positions between January 1, 1994, and December 31, 2005, who were employed by ATB on July 15, 2006. Thereafter, there will be annual transfers of obligations and assets in respect of management employees promoted in the previous calendar year.

Accounting for Defined Benefit Plans—Registered, Supplemental, and Other Plans

The ATB Plan, SRP, and other pension obligations provide future employee benefits based on members' years of service and highest average salary. Actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service, which incorporates management's best estimate of long-term investment return on plan assets, member salary growth and other cost escalation factors, retirement ages of employees, mortality, and other actuarial factors.

During the year, ATB changed its accounting policy to determine the actuarial value of plan assets and to develop management's best estimate of the expected long-term rate of return on plan assets, net of investment expenses. The impact of this change was not material and has been implemented prospectively. Whereas the method used in prior years reflected the expected return that would be earned by the ATB Plan's assets based on their market-related value (reflecting changes in the fair value of plan assets using a four-year moving average), the new method uses market value of plan assets without any averaging adjustment.

An initial transition asset (which arose as of March 31, 1999, when ATB prospectively adopted the then-new accounting standard on employee future benefits) is being amortized on a straight-line basis over 10 years, the expected average remaining service period ("EARSP") of active participants as at that time. A past service amendment (which arose as of April 1, 2003, when the SRP was amended to include limits to pensionable earnings, reducing the accrued benefit obligation related to then-past services) is being amortized on a straight-line basis over 14 years, the EARSP of participants expected to receive supplemental benefits as at that time.

In May 2006, the provisions of the SRP were amended to provide for automatic increases in the maximum earnings recognized in the average salary calculation. The impact of this amendment, which increases the benefit obligation by $2,838, is being amortized on a straight-line basis over 12 years, the EARSP of members in the SRP as at that time.

In conjunction with the PSPP take-on, ATB formalized its commitment to provide CPS benefits to active and inactive DB members with PSPP service. The estimated net impact of this was accounted for in the year ended March 31, 2006, as a plan amendment. The March 31, 2006, projected benefit obligation of the DB plan was increased by $5,438 (in respect of active members) and for other pension obligations increased by $686 (in respect of inactive members). The net pension benefit expense for the year ended March 31, 2006, increased by $4,380 for the DB plan and by $553 for other pension obligations.

Effective July 15, 2006, benefit obligations of $35,149 and assets of $21,918 (plus market return to the payment date) were transferred into the ATB Plan in conjunction with the PSPP take-on. This net additional liability of $13,231 accepted by the DB plan represents a past service cost and is being amortized on a straight-line basis over 10.6 years, the EARSP of members subject to the transfer as at that time.

Effective December 31, 2006, benefit obligations of $6,301 were transferred into the ATB Plan in conjunction with the PSPP take-on for members promoted to management positions in 2006. The estimated value of the asset transfer on December 31, 2006, is $3,574. This net additional liability of $2,727 accepted by the ATB Plan represents a past service cost and is being amortized on a straight-line basis over 11.2 years, the EARSP of members subject to the transfer as at December 31, 2006.

Accounting for PSPP and Defined Contribution Plans

ATB accounts for its participation in PSPP on the same basis as it accounts for the cost of the DC provisions of the ATB Plan. In both cases, funding contributions are expensed as they become due and are recorded in human resources in the Consolidated Statement of Income. For the year ended March 31, 2007, expenses related to the PSPP were $5,457 (2006: $4,570; 2005: $4,136) and expenses related to DC provisions of the ATB Plan were $6,927 (2006: $5,676; 2005: $5,009).

Plan Valuations, Asset Allocation, and Funding

ATB measures its accrued benefit obligations and the market values of plan assets for accounting purposes as at March 31 each year for the ATB Plan, SRP, and other pension obligations. The most recent actuarial valuation of the DB provisions of the ATB Plan ("the DB Plan") for funding purposes was performed as of December 31, 2005. Following the PSPP take-on, this valuation was updated in respect of members subject to the PSPP take-on and a funding deficiency was determined to exist. ATB made a special payment of $22,510 on December 15, 2006, to eliminate the solvency deficiency. The next required valuation date for funding purposes is December 31, 2008.

The DB Plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt, and other assets. The DB Plan's actual and target asset allocations are as follows:

	Target March 31, 2007 [1]		Actual	Target 2005-2007 [1]		Actual	Actual
(%)	Normal	Min-max	2007	Normal	Min-max	2006	2005
Equities							
Canadian	25	20-30	27	40	30-50	44	43
Foreign	45	40-50	43	30	20-40	28	26
	70		70	70		72	69
Fixed income							
Canadian	30	20-40	30	30	25-40	28	31
Cash	–	0-15	–	–	0-15	–	–
	100		100	100		100	100

1 *Target asset allocations were amended March 27, 2007.*

ATB makes regular funding contributions to the DB Plan in accordance with the most recent valuation for funding purposes. The SRP and other pension obligations are not pre-funded and such benefits are paid from ATB's assets as they become due.

Cash Payments

Total cash paid or payable for employee future benefits for the year ended March 31, 2007, consisting of cash contributed by ATB in respect of the DB and DC provisions of the ATB Plan (including $22,510 discussed above), cash payments directly to beneficiaries for the unfunded SRP, and cash contributed to the PSPP, was $39,024 (2006: $13,202; 2005: $10,775).

Net Accrued Pension Benefit Asset (Liability)

The funded status and net accrued pension benefit asset (liability) for the DB provisions of the ATB Plan and the other pension obligations (which comprise the SRP and obligations recognized in respect of the CPS benefit obligation to inactive plan members) are comprised as follows:

	2007	2006
Registered plan		
Fair value of plan assets	$ 154,277	$ 94,127
Projected benefit obligation	(163,129)	(118,040)
Plan funding deficit	(8,852)	(23,913)
Unamortized initial transition asset	(788)	(1,182)
Unamortized past service amendment	15,466	1,058
Unamortized actuarial net loss	14,338	24,687
Accrued pension benefit asset	$ 20,164	$ 650
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	$ (6,513)	$ (2,442)
Unamortized past service amendment	1,833	(818)
Unamortized actuarial net loss	793	356
Accrued pension benefit liability	$ (3,887)	$ (2,904)

The net accrued pension benefit asset and liability are included in other assets and other liabilities in the Consolidated Balance Sheet as appropriate. See Notes 9 and 11, respectively.

Change in Plan Assets and Benefit Obligations

Changes in the estimated financial position of the DB provisions of the registered ATB Plan and of the SRP and other pension obligations are comprised as follows:

	Registered plan			Supplemental and other		
	2007	2006	2005	2007	2006	2005
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	$ 94,127	$ 78,170	$ 71,463	$ –	$ –	$ –
Contributions from ATB	26,503	2,374	1,611	137	393	19
Contributions from employees	1,065	1,069	1,042	–	–	–
Actual return on plan assets	11,903	16,220	5,896	–	–	–
Benefits paid	(3,752)	(2,798)	(1,842)	(137)	(393)	(19)
Net transfer in—PSPP take-on 2006	21,918		–	–	–	–
Net transfer in—PSPP take-on 2007	3,574		–	–	–	
Actual plan expenses	(1,061)	(908)	–	–	–	–
Fair value of plan assets at end of year	$ 154,277	$ 94,127	$ 78,170	$ –	$ –	$ –
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$ 118,040	$ 95,894	$ 85,424	$ 2,442	$ 1,541	$ 1,117
Actuarial (gain) loss	(4,638)	10,294	3,975	447	294	164
Current service cost	3,064	2,365	2,119	633	221	207
Contributions from employees	1,065	1,069	1,042	–	–	
Plan amendments re. PSPP take-on	–	5,438	–	–	686	–
Plan amendment—earnings maximum	–	–	–	2,838	–	–
Plan amendment—PSPP take-on 2006	13,231	–	–	–	–	–
Plan amendment—PSPP take-on 2007	2,727	–	–	–	–	–
Net transfer in—PSPP take-on 2006	21,918	–		–	–	–
Net transfer in—PSPP take-on 2007	3,574	–	–	–	–	–
Interest cost	7,900	5,778	5,176	290	93	72
Benefits paid	(3,752)	(2,798)	(1,842)	(137)	(393)	(19)
Projected benefit obligation at end of year	$ 163,129	$ 118,040	$ 95,894	$ 6,513	$ 2,442	$ 1,541

Defined Benefit Pension Expense

Pension benefit expense for the DB provisions of the registered ATB Plan and for the SRP and other pension obligations is comprised as follows:

	Registered plan			Supplemental and other		
	2007	2006	2005	2007	2006	2005
Current service cost (including provision for expenses)	$ 4,264	$ 3,265	$ 2,119	$ 633	$ 221	$ 207
Interest cost on projected benefit obligation	7,900	5,778	5,176	290	93	72
Plan amendments	15,958	5,438	–	2,838	686	–
Actual return on plan assets	(11,903)	(16,220)	(5,896)	–	–	–
Actuarial (gains) losses	(4,638)	10,294	3,975	447	294	164
	11,581	8,555	5,374	4,208	1,294	443
Adjustments to recognize the long-term nature of employee future benefit costs:						
Difference between actual and expected return on plan assets	4,080	10,659	606	–	–	–
Difference between actual actuarial (gains) losses arising and actuarial (gains) losses amortized	6,130	(8,064)	(2,037)	(437)	(282)	(164)
Amortization of initial transition asset	(394)	(394)	(394)	–	–	–
Difference between actual past service amendment arising and past service amendments amortized	(14,408)	(1,058)	–	(2,651)	(219)	(86)
Net pension benefit expense recognized	$ 6,989	$ 9,698	$ 3,549	$ 1,120	$ 793	$ 193

Key Assumptions and Sensitivities

The significant assumptions used in the actuarial determination of projected benefit obligations and the related net pension benefit expense are, on a weighted-average basis, as follows:

	Registered plan			Supplemental and other		
	2007	2006	2005	2007	2006	2005
Accrued benefit obligation as at March 31						
Discount rate at end of year	5.30%	5.40%	5.90%	5.30%	5.40%	5.90%
Rate of compensation increase [1]	6.15%	4.20%	4.45%	7.00%	5.10%	4.50%
Defined benefit expense for the year ended						
Discount rate at beginning of year	5.40%	5.90%	6.00%	5.40%	5.90%	6.00%
Expected long-term return on plan assets	7.12%	7.35%	7.35%	7.12%	7.35%	–
Rate of compensation increase	4.20%	4.45%	4.25%	5.10%	4.50%	4.50%
Average remaining service period of active employees	9 years	9 years	9 years	12 years	14 years	14 years
Average remaining service period of active employees (2006 PSPP transfer)	10.6 years	–	–	–	–	–
Average remaining service period of active employees (2007 PSPP transfer)	11.2 years	–	–	–	–	–

1 *The rate of compensation increase assumed in calculating the 2007 accrued benefit obligation is shown for the first year only, and incorporates merit and promotion increases. The 2006 and 2005 comparatives are shown prior to merit and promotion increases.*

The following table outlines the possible impact of changes in certain key weighted-average economic assumptions used to measure the accrued pension benefit obligations as at March 31, 2007, and the related expense for the year then ended.

	Registered plan		Supplemental and other	
	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Discount rate				
Impact of: 1.0% increase	$ (26,260)	$ (2,885)	$ (1,208)	$ (178)
1.0% decrease	$ 34,024	$ 3,910	$ 1,514	$ 254
Inflation rate				
Impact of: 1.0% increase	$ 12,862	$ 3,114	$ 321	$ 65
1.0% decrease	$ (11,619)	$ (2,607)	$ (339)	$ (68)
Rate of compensation increase				
Impact of: 0.25% increase	$ 2,124	$ 358	$ 23	$ 5
0.25% decrease	$ (2,105)	$ (426)	$ (23)	$ (6)
Expected long-term rate of return on plan assets				
Impact of: 1.0% increase	$ –	$ (1,099)	$ –	$ –
1.0% decrease	$ –	$ 1,099	$ –	$ –

This sensitivity analysis should be used with caution as it is hypothetical and the effect of changes in each significant assumption may not be linear. Also, the sensitivities in each key variable have been calculated independently of changes in other key variables and actual experience may result in changes to a number of key assumptions at the same time. Changes in one factor could result in changes to another that may serve to amplify or reduce certain sensitivities.

14. *Derivative Financial Instruments*

Derivative financial instruments are financial contracts whose value is derived from an underlying reference rate such as an interest rate, currency exchange rate, the price of an equity or debt security, or an equity or commodity index.

ATB enters into various "over-the-counter" derivative contracts in the normal course of its business, including interest rate swaps and options, equity options, and foreign exchange and commodity forwards. ATB uses such instruments for two purposes—for its own risk-management program and to meet the needs of ATB customers (referred to as "non-trading" and "trading" portfolios, respectively).

In its non-trading (or "corporate derivative") portfolio, ATB uses derivative financial instruments for risk-management purposes to manage its exposure to fluctuations in interest or foreign exchange rates as an integral component of its asset/liability management program. All such contracts are placed with Canadian financial institutions.

ATB's trading (or "client derivative") portfolio is not utilized to generate trading income through active assumption of market risk but rather is utilized to meet the risk-management requirements of ATB customers. ATB does not accept any net exposure to such derivative contracts (except for credit risk) as it either enters into offsetting contracts with other financial institution counterparties or incorporates them into its own risk-management programs.

The main derivative financial instruments used by ATB include swaps, options, and forward contracts.

- Swaps are transactions where two parties agree to exchange defined cash flows. ATB enters into interest rate swaps whereby it exchanges fixed and floating rate interest rate payments with a counterparty based on an agreed notional principal amount denominated in a single currency. These are used in the corporate derivative portfolio to manage exposure to interest rate fluctuations, primarily arising from the investment, loan, and deposit portfolios.
- Options are transactions where the party that writes an option contract charges the buyer a premium in exchange for the right, but not the obligation, to either buy or sell a specified amount of currency or financial instruments at a specified price on a future date or within a specified period of time. ATB buys specialized forms of option contracts such as interest rate caps, collars, and swap options as well as equity-linked options direct from counterparties in the over-the-counter market (i.e., not purchased on market exchanges). These are used in the corporate derivative portfolio to manage exposure to interest rate and equity market fluctuations, primarily arising from the loan and deposit portfolios. ATB also buys and sells (or writes) similar forms of option contracts relating to energy commodities in the client derivative portfolio.
- Foreign exchange or commodity forwards are transactions conducted in the over-the-counter markets where two parties agree to either buy or sell a specified amount of a currency or security at a specific price and date in the future. ATB uses foreign exchange forward contracts in both its corporate and client derivative portfolios to manage currency exposure, either arising from its own foreign currency denominated loans and deposits, or for its customers, respectively. Commodity forward contracts are only utilized in the client derivative portfolio.

Corporate (Non-Trading) Derivatives and Hedge Accounting

ATB's corporate (non-trading) derivative portfolio is not intended for speculative income generation but for asset/liability management purposes; that is, to manage ATB's interest rate, foreign exchange, and equity-related exposures arising from its portfolio of investment and loan assets and deposit obligations. These instruments are recorded using hedge accounting, when appropriate, from April 1, 2004, onwards.

Hedging relationships that meet the conditions of CICA Accounting Guideline 13, "Hedging Relationships" ("AcG-13"), qualify for hedge accounting whereby income or expenses on hedging instruments designated within qualifying hedges are recognized in the Consolidated Statement of Income in the same category and period as the related hedged items. The book value or carrying value of derivatives eligible for hedge accounting consists of the unamortized balance of premiums paid on entering into the contract (if any) plus any net interest receivable/payable in respect of the contract as at the balance sheet date.

For a derivative instrument to qualify for hedge accounting under AcG-13, ATB must designate and formally document the hedge relationship at the inception of the agreement. The hedge relationship must also meet certain effectiveness criteria—changes in the fair value of the derivative instrument must be highly effective in offsetting either changes in the amount of future cash flows or changes in the fair values of the on-balance sheet items being hedged. Hedge effectiveness is evaluated both at the inception of the relationship and quarterly thereafter.

Any realized gains and losses from the early termination of a derivative financial instrument that qualified for hedge accounting are amortized over the remaining original life of the underlying asset or liability with the corresponding deferred gains or losses recorded in other liabilities or other assets in the Consolidated Balance Sheet, as appropriate.

Any corporate (non-trading) derivatives that do not qualify for hedge accounting are accounted for in the same manner as client (trading) derivatives.

Discontinuance of Hedge Accounting

A hedging relationship is terminated if a portion or all of the hedge ceases to be highly effective or if the derivative is no longer designated as a hedging instrument. When this occurs, the derivative instrument (or ineffective portion thereof) is measured at fair value ("marked to market") and the resultant realized or unrealized gain or loss is deferred in other liabilities or other assets in the Consolidated Balance Sheet, as appropriate, and then amortized into other income over the remaining term of the instrument. A hedging relationship is also terminated if some or all of the underlying asset or liability is itself extinguished and the derivative remains outstanding. In this scenario, the derivative instrument (or ineffective portion thereof) is marked to market and the resultant gain or loss is recognized in income in the same period as the termination.

Client (Trading) Derivatives

ATB does not enter into derivative contracts for trading purposes except to accommodate its clients in managing their foreign currency and energy-commodity risk exposures. In such instances, any resultant commodity exposure to ATB is simultaneously offset with another derivative contract and any resultant foreign currency exposure to ATB not incorporated into its own risk-management program is also simultaneously offset.

Client (trading) derivatives and any corporate (non-trading) derivatives that do not meet the criteria for hedge accounting, either at inception or subsequently, are marked to market. Any such contracts having a positive fair value are presented as assets and those having a negative fair value are presented as liabilities as a component of other assets or other liabilities in the Consolidated Balance Sheet, as appropriate. Any subsequent realized or unrealized changes in value are recorded in other income on the Consolidated Statement of Income.

Financial Statement Presentation

Derivative financial instruments recorded in the Consolidated Balance Sheet as at March 31 are comprised as follows:

	Assets		Liabilities	
	2007	2006	**2007**	2006
Fair value of derivatives ineligible for hedge accounting	$ **11,828**	$ 9,403	$ **3,246**	$ 851
Book value of derivatives eligible for hedge accounting	**14,569**	16,197	**512**	1,012
Total	$ **26,397**	$ 25,600	$ **3,758**	$ 1,863

Book value of corporate (non-trading) derivatives eligible for hedge accounting presented above includes any unamortized premium and any interest amounts payable or receivable in respect of such derivative contracts as at the balance sheet date.

Fair Value of Derivatives

Fair value represents an estimate as at that point in time that may change in subsequent reporting periods due to changing market conditions or other factors. Fair value estimates of over-the-counter derivative financial instruments are determined using pricing models that take into account current market and contractual prices of the underlying instruments, and time value and yield curve or volatility factors underlying the positions.

Fair value of derivative financial instruments, segregated between contracts in a favourable position (i.e., having positive fair value) and contracts in an unfavourable position (i.e., having negative fair value), is comprised as follows:

	2007			2006		
	Favourable position	Unfavourable position	Net	Favourable position	Unfavourable position	Net
Contracts ineligible for hedge accounting						
Interest rate contracts						
Options	$ 704	$ –	$ 704	$ 1,196	$ –	$ 1,196
Swaps	287	–	287	–	(851)	(851)
	991	–	991	1,196	(851)	345
Foreign exchange contracts						
Forwards	127	(115)	12	4	–	4
Equity contracts						
Options	7,484	–	7,484	8,203	–	8,203
Forward contracts						
Commodities	3,204	(3,131)	73	–	–	–
Total fair value	$ 11,806	$ (3,246)	$ 8,560	$ 9,403	$ (851)	$ 8,552
Contracts eligible for hedge accounting						
Interest rate contracts						
Options	$ 37	$ –	$ 37	$ 133	$ –	$ 133
Swaps	5,118	(2,460)	2,658	7,485	(3,434)	4,051
	5,155	(2,460)	2,695	7,618	(3,434)	4,184
Equity contracts						
Options	66,676	–	66,676	70,683	–	70,683
Total fair value	$ 71,831	$ (2,460)	$ 69,371	$ 78,301	$ (3,434)	$ 74,867
Total book value—contracts eligible for hedge accounting			$ 14,057			$ 15,185

Notional Principal Amounts

The notional amounts of derivative instruments represent the underlying principal amount to which the specified rate or price is applied in order to calculate the amount of cash flows to be exchanged. Notional amounts do not represent assets or liabilities and are not recorded in the Consolidated Balance Sheet.

	2007			2006
	Ineligible for hedge accounting	Eligible for hedge accounting	Total	Total
Interest rate contracts				
Options	$ 892,883	$ 106,233	$ 999,116	$ 809,327
Swaps	200,000	2,750,000	2,950,000	2,100,000
	1,092,883	2,856,233	3,949,116	2,909,327
Foreign exchange contracts				
Forwards	30,177	–	30,177	453
Equity contracts				
Options	19,761	244,159	263,920	319,330
Forward contracts				
Commodities	148,295	–	148,295	–
	$ 1,291,116	$ 3,100,392	$ 4,391,508	$ 3,229,110

Derivative-Related Credit Risk

Derivative financial instruments traded in the over-the-counter market are subject to credit risk in that there is a risk of a financial loss occurring if a counterparty defaults on its contractual obligation. This credit risk is normally a small fraction of the notional amount of the derivative instrument. ATB's maximum credit risk in respect of such derivatives is the fair value of all derivatives where ATB is in a favourable position. ATB endeavours to limit its credit risk by dealing only with counterparties believed to be credit-worthy and manages the credit risk for derivatives using the same credit risk process applied to loans and other credit assets. Financial institution counterparties must have a minimum long-term public credit rating of A-low/A3/A- or better. The exposure to credit risk on derivatives is also reduced by entering into master netting agreements with counterparties. To the extent any unfavourable contracts with the counterparty are not settled, they reduce ATB's net exposure in respect of favourable contracts with the same counterparty.

Credit risk exposure on the derivative portfolio is comprised as follows:

	2007			2006
	Ineligible for hedge accounting	Eligible for hedge accounting	Total	Total
Interest rate contracts				
Options	$ 704	$ 37	$ 741	$ 1,329
Swaps	287	5,118	5,405	7,485
	991	5,155	6,146	8,814
Foreign exchange contracts				
Forwards	127	–	127	4
Equity contracts				
Options	7,484	66,676	74,160	78,886
Forward contracts				
Commodities	3,204	–	3,204	–
Total derivative exposure—gross	$ 11,806	$ 71,831	83,637	87,704
Less impact of master netting agreements			(2,460)	(4,285)
Residual credit exposure on derivatives			$ 81,177	$ 83,419

All of the residual credit exposure presented above relates to contracts with financial institution counterparties, except for $2,353, which relates to client counterparties (2006: Nil).

Term to Maturity

The instruments in the derivative portfolio have varying maturity dates. The remaining contractual term to maturity for the notional amounts of all derivative instruments is as follows:

	2007				2006
	Within 3 months	3 to 12 months	1 to 5 years	Total	Total
Interest rate contracts					
Options	$ 600,000	$ 277,124	$ 121,992	$ 999,116	$ 809,327
Swaps	250,000	1,550,000	1,150,000	2,950,000	2,100,000
Foreign exchange contracts					
Forwards	25,587	4,590	–	30,177	453
Equity contracts					
Options	7,650	71,600	184,670	263,920	319,330
Forward contracts					
Commodities	51,660	85,585	11,050	148,295	–
Total	$ 934,897	$ 1,988,899	$ 1,467,712	$ 4,391,508	$ 3,229,110

15. *Commitments, Guarantees, and Contingent Liabilities*

Credit Instruments

In the normal course of business, ATB enters into various off-balance sheet commitments to provide customers with sources of credit. These may include letters of credit, letters of guarantee and loan guarantees, and commitments to extend credit.

All of these credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

Letters of Credit

Standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customer.

Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities.

Guarantees

Guarantees also represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require ATB to make payments (either in the form of some asset or in the form of services) to another party based on (a) changes in an asset, liability, or equity the other party holds, (b) failure of a third party to perform under an obligating agreement, or (c) failure of a third party to pay its indebtedness when due. Again, in the event of a call on such commitments, ATB has recourse against the customer.

ATB has also issued a $5.0 million guarantee to Canadian Depository for Securities ("CDS") in respect of one of its subsidiaries to support the settlement of investment transactions with CDS.

Commitments to Extend Credit

Commitments to extend credit represent undertakings by ATB to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down, and credit facilities available on a revolving basis.

The contractual amounts of all such credit instruments as at March 31 are:

	2007	2006
Guarantees	$ 133,382	$ 99,945
Letters of credit	70,592	44,687
Commitments to extend credit	7,366,610	5,939,715
	$ 7,570,584	$ 6,084,347

The amounts presented above in the current and comparative year for commitments to extend credit include demand facilities of $3,221,252 (2006: $2,500,239). For demand facilities, we consider the undrawn portion to represent a commitment to our customer; however, the terms of the commitment are such that ATB would be able to adjust the credit exposure if circumstances warranted doing so. Accordingly, these demand facilities are considered to represent a lesser exposure than facilities that have extended commitment terms.

Disclosure in the current year includes authorized but undrawn MasterCard facilities, and the 2006 comparative has been increased by $625,209 to conform with this presentation.

Pledged Assets

In the ordinary course of business, ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. ATB also pledges securities to CDS in order to participate in a settlement agent credit ring. The total amount of securities so pledged at March 31, 2007 and 2006, is provided in Note 5.

Indemnification Agreements

In the normal course of operations, ATB enters into various agreements that provide general indemnification to the other party. Examples of such agreements include service agreements, leasing agreements, clearing arrangements, and service contracts. These indemnifications may require ATB, in certain circumstances, to compensate the other party for costs incurred as a result of various contingencies. ATB also indemnifies directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the company. The terms of these indemnifications vary based on the contract, the nature of which prevents ATB from making a reasonable estimate of the maximum potential amount it could be required to pay to other parties. Historically, any such amounts have not been significant. No amount has been accrued in the Consolidated Balance Sheet as at March 31, 2007 and 2006, in respect of such indemnifications.

Contingent Liabilities

Various actions and legal proceedings arising from the normal course of business are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

Contractual Obligations

ATB has various obligations under long-term non-cancellable contracts, which include service contracts and operating leases for buildings and equipment. The future minimum payments in respect of such obligations for each of the next five fiscal years and thereafter are:

2008	$ 59,408
2009	55,612
2010	39,380
2011	16,692
2012	11,574
2013 and thereafter	29,178
	$ 211,844

The total expense in respect of premises and equipment operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2007, is $22,231 (2006: $19,953; 2005: $19,105).

16. *Disclosure of Salaries and Benefits*

ATB is an agent of the Crown in right of Alberta and, as such, is required to disclose certain information as per the Salary and Benefits Disclosure Directive, as amended July 6, 2004, made by the Treasury Board, pursuant to sections 5, 6, and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies, and Crown-controlled organizations. In accordance with the proposed amendments to the Directive, the amounts disclosed in the following table reflect benefits in respect of supplemental retirement benefits (comparative figures have been restated accordingly), and are the amounts earned in the years ended March 31:

	2007							2006
		Variable pay		Other		Other		
	Base salary [1]	Current [2]	Deferred [3]	cash benefits [4]	Retirement benefits [5]	non-cash benefits [6]	Total	Restated total
Chairman of the Board	$ 81	$ –	$ –	$ –	$ –	$ –	$ 81	$ 52
Board Members [7]	$ 446	$ –	$ –	$ –	$ –	$ –	$ 446	$ 452
President and Chief Executive Officer	$ 400	$ 301	$ 526	$ 15	$ 124	$ 15	$ 1,381	$ 1,180
Chief Operating Officer	$ 289	$ 197	$ 293	$ 15	$ 96	$ 13	$ 903	$ 757
Executive Vice-President Credit	$ 196	$ 81	$ 107	$ 12	$ 64	$ 25	$ 485	$ 380
Chief Financial Officer	$ 188	$ 90	$ 115	$ 12	$ 47	$ 15	$ 467	$ 361
Executive Vice-President Treasurer	$ 180	$ 74	$ 98	$ 12	$ 63	$ 15	$ 442	$ 370
Senior Vice-President Human Resources	$ 175	$ 72	$ 95	$ 12	$ 53	$ 12	$ 419	$ 336

1 *Base salary consists of all regular pensionable base pay earned.*

2 *Current variable pay is accrued based on goal attainment for the fiscal year but is paid following the fiscal year-end.*

3 *Deferred variable pay is reported as earned in the year though payment is deferred for up to 33 months and is dependent upon the employee's continued employment with ATB. The actual amount each employee will receive will appreciate or depreciate from the amount reported above based on a specified methodology to reflect ATB's actual financial performance over the next two fiscal years.*

4 *Other cash benefits consist of fees for attendance at meetings, retainers, honoraria, lump sum payments, perquisite allowances, and any other direct cash remuneration.*

5 *Retirement benefits reflect the period expense for pension benefits for rights to future compensation, through either the defined benefit or defined contribution provisions of ATB's registered pension plan and through our non-registered defined benefit supplemental retirement plan ("SRP"). As the registered plan is fully funded, the employer contributions reflected in the table above are considered representative of the value of benefits provided. Refer to the table following the heading "Supplemental Retirement Plan Benefits" below for further details as to the unfunded SRP benefit provided reflected in the amounts above.*

6 *Other non-cash benefits consist of ATB's share of all employee benefits and contributions or payments made on behalf of employees including statutory contributions, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, tuition, and professional memberships.*

7 *The Board consists of 12 members plus the Chairman whose salary is disclosed separately.*

Supplemental Retirement Plan Benefits

	2007			2006
	Current service cost	Prior service and other costs	Total	Total
President and Chief Executive Officer	$ 66,000	$ 42,000	$ 108,000	$ 48,000
Chief Operating Officer	$ 51,000	$ 34,000	$ 85,000	$ 16,000
Executive Vice-President Credit	$ 32,000	$ 21,000	$ 53,000	$ 11,000
Chief Financial Officer	$ 29,000	$ 7,000	$ 36,000	$ 13,000
Executive Vice-President Treasurer	$ 28,000	$ 19,000	$ 47,000	$ 11,000
Senior Vice-President Human Resources	$ 25,000	$ 17,000	$ 42,000	$ 5,000

Executive officers may receive supplemental retirement payments under the terms of ATB's SRP. None of the SRP benefit costs presented in the following table represent cash payments in the period, as ATB's retirement obligations under the SRP are not funded in advance, but are paid from operating revenues as they come due. These benefit costs represent the total estimated cost incurred in the years ended March 31 to provide annual pension income over an actuarially determined post-retirement period. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of actuarial gains and losses, amortization of past service amendments, and interest accruing on the accrued benefit obligation. Refer to Note 13 for a more detailed description of ATB's accounting for its retirement plans in the Accounting for Defined Benefit Plans—Registered, Supplemental, and Other Plans section on page 100.

The accrued obligation for each executive under the SRP is as follows:

	Accrued obligation March 31, 2006	Change in accrued obligation	Accrued obligation March 31, 2007
President and Chief Executive Officer	$ 428,000	$ 145,000	$ **573,000**
Chief Operating Officer	$ 137,000	$ 330,000	$ **467,000**
Executive Vice-President Credit	$ 106,000	$ 219,000	$ **325,000**
Chief Financial Officer	$ 28,000	$ 94,000	$ **122,000**
Executive Vice-President Treasurer	$ 83,000	$ 228,000	$ **311,000**
Senior Vice-President Human Resources	$ 41,000	$ 236,000	$ **277,000**

17. *Related Party Transactions*

In the ordinary course of business, ATB provides normal banking services to various departments and agencies of the Government of Alberta on terms similar to those offered to non-related parties (also see Note 10). During the year, ATB leased certain premises from the Government of Alberta and paid insurance premiums as a participant in the Alberta Finance Risk Management Fund. For the year ended March 31, 2007, the total of these payments was $783 (2006: $767). ATB also recognized an annual deposit guarantee fee payable to the Crown in right of Alberta in return for a guarantee on all customer deposits (refer to Notes 10 and 12).

ATB entered into a wholesale borrowing agreement with the Minister of Finance on November 24, 2003. Under this agreement, the Minister of Finance acts as fiscal agent of ATB Financial under the Financial Administration Act and is involved in raising wholesale deposits in the marketplace.

ATB provides banking services to its directors on terms similar to those offered to non-related parties and to its officers and employees at preferential rates. The total outstanding balances of residential mortgages and loans to all of these parties as at March 31 are as follows:

	2007	2006
Residential mortgage	$ **173,608**	$ 143,268
Personal	**69,097**	59,941
Credit card	**10,257**	9,996
Business	**5,701**	6,498
	$ **258,663**	$ 219,703

18. *Estimated Fair Value of Balance Sheet Financial Instruments*

The following table presents management's best estimates of the fair value of its on-balance sheet financial instruments (including any fair value amounts related to derivative instruments which are ineligible for hedge accounting). The fair values are determined as at the balance sheet date using the valuation methods and assumptions described below. These values may change in subsequent reporting periods due to market conditions or other factors.

Estimated Fair Value

Estimated fair value represents the amount at which ATB would exchange a financial instrument in an arm's-length transaction with a willing party under no compulsion to act. For those instruments with an available market price, fair value is established by reference to the last traded price prior to the balance sheet date. Many of ATB's financial instruments lack such an available trading market and the associated fair values presented represent management's best estimates of the current value of the instruments, taking into account changes in market rates (principally interest rates) or credit risk that have occurred since their origination.

Premises and equipment and accrued pension benefit assets and liabilities are not considered financial instruments and have been excluded from the estimates of fair value. The net carrying value of such amounts excluded as at March 31, 2007, is $193,838 (2006: $132,225).

Financial Instruments Whose Book Value Approximates Fair Value

For items that are short-term in nature, the estimated fair value is considered to be equal to their carrying value. These include cash resources, other assets, and other liabilities, except for mark-to-market amounts recognized in respect of derivative financial instruments which are carried at fair value.

Securities

The fair value of debt securities is considered approximately equal to their carrying value, as their remaining terms to maturity are short enough that their value is effectively immune to changes in the interest rate environment. The fair value of equity securities is determined by reference to quoted marked prices, if available.

Loans and Deposits

For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market. For fixed-rate loans, fair value is determined by discounting the expected future cash flows at market rates. For fixed-rate deposits, fair value is determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Subordinated Debentures

The fair value of subordinated debentures is determined by discounting contractual cash flows using market reference rates currently offered for debt instruments with similar terms and risk ratings.

Estimated Fair Value

The estimated fair value of balance sheet financial instruments (excluding any off-balance sheet derivative instruments) as at March 31 is as follows:

	2007			2006		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value
Assets						
Cash	$ 1,095,614	$ 1,095,614	$ –	$ 1,054,125	$ 1,054,125	$ –
Securities	$ 1,684,821	$ 1,684,534	$ (287)	$ 1,381,444	$ 1,380,802	$ (642)
Loans	$ 16,994,329	$ 17,127,398	$ 133,069	$ 14,846,694	$ 14,982,572	$ 135,878
Other	$ 322,229	$ 322,229	$ –	$ 230,423	$ 230,423	$ –
Liabilities						
Deposits	$ 18,252,838	$ 18,185,488	$ (67,350)	$ 15,870,308	$ 15,791,157	$ (79,151)
Other	$ 342,368	$ 342,368	$ –	$ 354,029	$ 354,029	$ –
Subordinated debentures	$ 72,242	$ 72,028	$ (214)	$ 71,579	$ 71,428	$ (151)

19. *Interest Rate Risk*

ATB is subject to interest rate risk in that it earns interest income on interest-bearing assets, pays interest expense on interest-bearing liabilities, and has certain off-balance sheet derivative instruments with values that are interest-rate-sensitive. To the extent either that these assets, liabilities, and financial instruments mature or reprice at different times or that the financial instruments do not effectively address any interest rate mismatch between the assets and liabilities, ATB is exposed to interest rate risk.

Interest rate risk is the risk that ATB's net income will decrease because of an adverse movement in interest rates. The following table details the gap between on- and off-balance sheet interest-rate-sensitive assets and interest-rate-sensitive liabilities, based on the earlier of the repricing or maturity date of both. Note that the gap position presented in the following table is determined as of the close of business on March 31, 2007. It represents the position of ATB as at that point in time only and may change significantly from day to day due to customer preferences and risk-management policies.

	Term to maturity/repricing							
	Within 3 months	3 to 6 months	6 to 12 months	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest-rate-sensitive	Total
2007								
Assets								
Cash	$ 78,117	$ –	$ –	$ 78,117	$ –	$ –	$ –	$ 78,117
Effective interest rate	4.35%	–	–	4.35%	–	–	–	4.35%
Securities and interest-bearing deposits with financial institutions	2,542,752	62,381	96,185	2,701,318	1,000	–	–	2,702,318
Effective interest rate	4.40%	4.31%	4.25%	4.39%	5.11%	–	–	4.39%
Loans	10,115,424	360,828	715,047	11,191,299	5,838,139	65,231	(100,340)	16,994,329
Effective interest rate	6.43%	5.83%	5.70%	6.36%	5.44%	6.32%	–	6.08%
Other	–	–	–	–	–	–	519,954	519,954
	12,736,293	423,209	811,232	13,970,734	5,839,139	65,231	419,614	20,294,718
Liabilities and equity								
Deposits	12,293,647	707,446	1,264,363	14,265,456	3,987,382	–	–	18,252,838
Effective interest rate	2.48%	3.73%	3.71%	2.65%	4.07%	–	–	2.96%
Other liabilities and equity	–	–	–	–	–	–	1,969,638	1,969,638
Subordinated debentures	–	–	–	–	–	–	72,242	72,242
Effective interest rate	–	–	–	–	–	–	4.57%	4.57%
	12,293,647	707,446	1,264,363	14,265,456	3,987,382	–	2,041,880	20,294,718
On-balance sheet gap	442,646	(284,237)	(453,131)	(294,722)	1,851,757	65,231	(1,622,266)	–
Derivatives used for asset/liability gap management *(notional amounts)*								
Pay side swaps	(2,550,000)	–	–	(2,550,000)	(400,000)	–	–	(2,950,000)
Effective interest rate	4.35%	–	–	4.35%	3.82%	–	–	–
Receive side swaps	650,000	100,000	1,450,000	2,200,000	750,000	–	–	2,950,000
Effective interest rate	4.44%	4.30%	4.29%	4.33%	4.25%	–	–	–
Off-balance sheet gap	(1,900,000)	100,000	1,450,000	(350,000)	350,000	–	–	–
Net gap	$(1,457,354)	$ (184,237)	$ 996,869	$ (644,722)	$ 2,201,757	$ 65,231	$(1,622,266)	$ –
As percentage of assets	(7.18%)	(0.91%)	4.91%	(3.18%)	10.85%	0.32%	(7.99%)	–
2006								
Assets	$ 11,259,786	$ 422,468	$ 774,766	$ 12,457,020	$ 4,852,968	$ 60,249	$ 277,578	$17,647,815
Liabilities and equity	10,359,275	622,888	1,558,127	12,540,290	3,330,018	–	1,777,507	17,647,815
On-balance sheet gap	900,511	(200,420)	(783,361)	(83,270)	1,522,950	60,249	(1,499,929)	–
Off-balance sheet gap	(800,000)	550,000	650,000	400,000	(400,000)	–	–	–
Net gap	$ 100,511	$ 349,580	$ (133,361)	$ 316,730	$ 1,122,950	$ 60,249	$ (1,499,929)	$ –
As percentage of assets	0.57%	1.98%	(0.76%)	1.79%	6.36%	0.34%	(8.50%)	–

20. *Segmented Information*

ATB has organized its operations and activities around the following three business segments or lines of business:

- Personal and Business Financial Services comprises the branch, agency, and ABM networks and provides financial services to individuals, independent business, and agricultural customers;
- Corporate Financial Services provides financial services to medium- and large-size corporate borrowers; and
- Investor Services provides wealth management solutions including retail brokerage, mutual funds, portfolio management, and investment advice to ATB customers.

ATB's operating activities are not geographically distributed for external reporting purposes, as all its operations are essentially limited to customers within the province of Alberta.

Basis of Presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in these groupings are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the other notes to the consolidated financial statements. As these lines of business are based on ATB's internal management structure, they may not be comparable to those of other financial institutions.

	Personal and Business	Corporate	Investor Services	Other business units [1]	Total
2007					
Net interest income	$ 423,176	$ 62,515	$ 5,127	$ 80,987	$ 571,805
Other income	119,462	14,901	28,969	16,329	179,661
Total operating revenues	542,638	77,416	34,096	97,316	751,466
(Recovery of) provision for credit losses	(8,699)	12,003	–	(8,515)	(5,211)
Non-interest expenses	385,403	19,279	36,069	41,538	482,289
Net income (loss)	$ 165,934	$ 46,134	$ (1,973)	$ 64,293	$ 274,388
Total assets [2]	$ 13,645,926	$ 3,454,594	$ 2,800	$ 3,191,398	$ 20,294,718
Total liabilities	$ 13,974,317	$ 1,875,709	$ 436,294	$ 2,385,015	$ 18,671,335
2006					
Net interest income	$ 360,061	$ 47,948	$ 3,152	$ 51,090	$ 462,251
Other income	109,364	12,342	18,296	15,619	155,621
Total operating revenues	469,425	60,290	21,448	66,709	617,872
Provision for (recovery of) credit losses	14,313	5,168	–	(18,793)	688
Non-interest expenses	336,882	16,601	30,797	34,183	418,463
Net income (loss)	$ 118,230	$ 38,521	$ (9,349)	$ 51,319	$ 198,721
Total assets	$ 12,312,888	$ 2,470,280	$ 1,590	$ 2,863,057	$ 17,647,815
Total liabilities	$ 12,742,483	$ 1,535,113	$ 229,939	$ 1,791,285	$ 16,298,820
2005					
Net interest income	$ 323,441	$ 40,395	$ –	$ 34,910	$ 398,746
Other income	105,973	10,913	10,337	12,085	139,308
Total operating revenues	429,414	51,308	10,337	46,995	538,054
Provision for (recovery of) credit losses	8,392	(215)	–	(22,771)	(14,594)
Non-interest expenses	300,954	13,703	22,301	28,377	365,335
Net income (loss)	$ 120,068	$ 37,820	$ (11,964)	$ 41,389	$ 187,313
Total assets	$ 11,249,427	$ 1,956,059	$ 35,672	$ 2,140,074	$ 15,381,232
Total liabilities	$ 12,783,402	$ 1,002,028	$ 123,782	$ 321,746	$ 14,230,958

1 *Comprised of business units of a corporate nature such as investment, risk management, asset/liability management, and treasury operations, as well as expenses, general allowances, and recoveries for credit losses not expressly attributed to any line of business.*

2 *During the year, assets with a carrying value of $252,078 were transferred to Corporate Financial Services from Personal and Business Financial Services.*

Customer-related assets and liabilities (and the directly related revenues and expenses) are allocated between ATB's lines of business based on management of the client relationship rather than the specific nature of the loan, deposit, or other product provided or service rendered.

Net interest income ("NII") is attributed to each line of business according to ATB's internal funds transfer pricing ("FTP") system whereby assets "earn" NII to the extent external revenues exceed internal FTP expense and liabilities "earn" NII to the extent internal FTP revenues exceed external interest expense. Specific provisions for credit losses are allocated based on the individual underlying impaired loan balances and general provisions (excepting any special general provisions) are allocated prorata based on total performing loan balances.

Direct expenses are attributed between lines as incurred. Certain indirect expenses are allocated between Investor Services and the other lines on the basis of inter-line service agreements. Certain other costs are allocated between the reporting segments using refined methods of allocating certain costs between the reporting segments, incorporating activity-based estimates of indirect cost allocation. These refined methods were adopted prospectively at the beginning of the 2004-05 fiscal year. Indirect expenses not allocated and direct expenses of a corporate or support nature are reported under other business units.

21. Future Changes in Accounting Policies

The following changes are expected to impact reporting for the year ending March 31, 2008:

Financial Instruments, Hedges, and Comprehensive Income

In January 2005, the CICA issued three new accounting standards that take effect for ATB beginning April 1, 2007: CICA Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments—Recognition and Measurement; and Section 3865, Hedges. The CICA also reissued Section 3861, Financial Instruments—Disclosures and Presentation, with modified provisions. The impact of these new standards, often referred to collectively as "financial instruments," will be reflected in our financial statements for the quarter ending June 30, 2007.

Comprehensive Income

Section 1530 provides guidance for reporting comprehensive income, the change in equity during a period from transactions and other events with non-owners. It is comprised of net income ("NI") and other comprehensive income ("OCI"). For ATB, OCI will include unrealized gains and losses on financial assets classified as "available-for-sale" and changes in fair value of the effective portion of cash flow hedging instruments. Amounts recognized in OCI will eventually be reclassified to the Statement of Income and reflected in NI in accordance with other generally accepted accounting standards.

Our consolidated financial statements will include a new statement, a Consolidated Statement of Change in Equity, that will reflect (1) NI and the continuity of retained earnings and (2) OCI and the continuity of accumulated and other comprehensive income ("AOCI"). The cumulative amount of OCI recognized, AOCI, will represent a new component of equity on the Consolidated Balance Sheet.

Financial Instruments—Recognition and Measurement

Section 3855 establishes a new framework for the recognition and measurement of financial assets, financial liabilities, and non-financial derivatives. All existing financial assets and liabilities must be classified by type or intention on April 1, 2007, or on inception for any new financial instrument entered into after that date. This classification will determine how the financial assets and liabilities are accounted for.

Financial assets and liabilities classified as "held-for-trading" will be measured on the Consolidated Balance Sheet at fair value with changes in fair value (unrealized gains or losses) recorded in NI. Financial assets classified as available-for-sale will be measured at fair value with unrealized gains or losses, including any foreign exchange component, being recognized in OCI rather than NI. Financial assets classified as "held-to-maturity" or "loans and receivables" and financial liabilities not classified as held-for-trading will be measured at amortized cost using the effective interest method.

The accounting standard requires derivative financial instruments, including "embedded derivatives," to be classified as held-for-trading (and measured at fair value on the Consolidated Balance Sheet with unrealized gains and losses recorded in NI) unless the derivative is designated and qualifies as a cash flow hedge, in which case changes in fair value are reflected in OCI. Embedded derivatives are components within a financial instrument or other contract that has features similar to a derivative. Embedded derivatives having economic characteristics and risks not considered closely related to the characteristics and risks of the host contract may need to be accounted for separately if a separate instrument having the same terms would qualify as a derivative and if the host contract is not already measured at fair value.

Section 3855 will permit ATB to designate any financial instrument as held-for-trading on initial recognition or adoption of the new standard if fair value can be reliably determined, irrespective of whether the instrument would otherwise qualify as held-for-trading.

Hedges

Section 3865 establishes the criteria under which hedge accounting may be applied. Hedge accounting is optional and allows the recognition of the effective component of a hedging derivative in NI at the same time as the hedged item, reducing income volatility. The change in fair value attributable to any ineffective component of a hedging derivative is recognized in NI during the period of ineffectiveness.

Only two hedging strategies relevant to ATB may be hedge accounted: cash flow hedges and fair value hedges. In a qualifying cash flow hedge relationship, the effective portion of the change in fair value of the hedging item is recognized in OCI and the ineffective portion in NI. Any such amounts recognized in AOCI will be reclassified out of OCI

into NI in the period when net income is affected by the variability in cash flows of the underlying hedged item. In a qualifying fair value hedge relationship, changes in the fair value of the hedged item are recognized in NI and the carrying amount of the hedged item is adjusted accordingly. The changes in fair value of the hedging derivative are also recognized in NI and, to the extent the hedging relationship is effective, will offset the changes in the fair value of the hedged item.

To the extent cash flow hedging relationships that existed prior to the adoption of these new standards effective on April 1, 2007, are continued and qualify under the new criteria, any gain or loss on the hedging instrument that is attributable to the effective portion will be recognized in AOCI and that amount attributable to the ineffective portion will be included in opening retained earnings on transition. ATB does not intend to continue to hedge account for any previously effective fair value hedges under the new standards.

Impact of Adopting New Accounting Policies in Conformance with Financial Instruments

As these new financial instrument standards will be implemented prospectively, any impact of re-measuring financial instruments at fair value on April 1, 2007, will be recognized in opening retained earnings and opening AOCI as at that date and results for prior periods will not be restated. The impact of these standards is not expected to be material in the context of our Consolidated Balance Sheet.

Capital Disclosures

In December 2006, the CICA issued a new accounting standard that takes effect for ATB beginning April 1, 2008: CICA Handbook Section 1535, Capital Disclosures. This standard will require ATB to disclose certain qualitative and quantitative information regarding our objectives, policies, and processes for management of capital as well as our compliance with externally imposed capital requirements. The impact of this new standard will be reflected in our financial statements for the quarter ending June 30, 2008.

Financial Instruments—Disclosures and Presentation

In December 2006, the CICA issued other new accounting standards that will take effect for ATB beginning April 1, 2008: CICA Handbook Section 3862, Financial Instruments—Disclosures, and CICA Handbook Section 3863, Financial Instruments—Presentation. These standards will complement the new standards on financial instruments issued in January 2005 and will expand on the disclosure requirements of Section 3861, placing an increased emphasis on disclosures about the risks associated with recognized and unrecognized financial instruments and how those risks are managed. The impact of these new standards will also be reflected in our financial statements for the quarter ending June 30, 2008.

CORPORATE SOCIAL RESPONSIBILITY

In 2004, ATB Financial's Corporate Social Responsibility Statement was created to guide the organization's future operations and to serve as a building block for how ATB interacts with key stakeholders, such as associates, and with the many Alberta communities our customers live and work in. It still applies today. For example, for more than 68 years, ATB Financial and its associates have proudly supported many worthy causes across hundreds of Alberta communities.

ATB Financial contributed more than $2 million in the 2006-07 fiscal year to important initiatives and programs, through sponsorships, charitable donations from associates and customers, and through community and corporate fundraising initiatives. We again raised funds for Alberta's primary children's hospital foundations in Calgary and Edmonton, and supported the province's 11 United Way associations and STARS. ATB also continues to support numerous local and regional campaigns.

ATB associates have demonstrated compassion and generosity in their customer communities. Our associates are Albertans, who work and live here, and they understand and reflect the same values as our customers. These strong Alberta roots allow us to care with a difference. Our four key values guide all of ATB's decision-making and actions:

Integrity Above all else we speak honestly, we follow through on commitments, and our word is our bond.

Customer focus Whether we serve the customer or someone else does, we are all here because of our customers. Our purpose is to ensure that we deliver on our promise of customer service.

Teamwork We are all part of the ATB team and our collective efforts will far exceed our individual contribution.

Ownership Each of us is entrusted with the responsibility for a part of ATB. Each day we make choices that reflect how we would act if this was our own company. We carefully manage resources, go the extra mile for our customers, and treat our associates the way we like to be treated.

ATB Financial believes corporate social responsibility is more than corporate philanthropy and volunteerism; it's also about being ethical—doing the right thing, at the right time, for the right reason. It extends ATB's commitment to build a best-in-class work environment with engaged associates, high levels of customer satisfaction, and strong corporate governance.

These corporate social values reflect ATB's commitment to truthful marketing and transparent reporting, and are built on ATB Financial's commitment to comply with all the legal and regulatory requirements relating to operations as a financial services provider, an employer, a pension sponsor, and a responsible corporate entity. In carrying out this mandate, ATB also commits to delivering a fair return on investment to our Shareholder, the Government of Alberta.

Every year ATB commissions independent surveys to associates and customers for engagement and satisfaction levels. The outcomes shape future improvements and changes. Similarly, ATB's Board regularly reviews its practices, procedures, and standards for compliance. ATB Financial is committed to corporate social responsibility and looks forward to reporting its progress again next year.

GLOSSARY

Asset Growth
Total assets outstanding at year-end less the value of total assets outstanding at the previous year-end divided by total assets outstanding at the previous year-end.

Average Assets
The simple average of the daily total asset balances during the year.

Basis Point
One one-hundredth of one per cent (0.01%).

Carrying Value
The value of an asset or liability as reported within the consolidated financial statements.

Deposit Growth
Total deposits outstanding at year-end less total deposits outstanding at the previous year-end divided by total deposits outstanding at the previous year-end.

Derivative or Derivative Contract
A contract whose value changes by reference to a specified underlying variable such as interest rates, foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps and forward rate agreements, foreign exchange forward contracts, and foreign currency, equity, and interest rate options and swap options.

Efficiency Ratio
The ratio of non-interest expenses for the year divided by total operating revenue (net interest income plus other income) for the year. May be referred to as the "productivity ratio" by other financial institutions.

Embedded Derivative
A component within a financial instrument or other contract that has features similar to a derivative.

Equity- and Index-Linked Options
A class of options that gives the purchaser the right but not the obligation to buy an individual share, a basket of shares, or an equity index at a predetermined price, on or before a fixed date, on a fixed date, or on a series of fixed dates.

Fair Value
For financial instruments trading in an open market, fair value is the ending market value as of close of trading on the measurement date (or on the last trading day prior). For non-market-traded instruments, fair value is the amount of consideration that two knowledgeable and willing arm's-length parties would agree to exchange in order to extinguish the instrument.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset (liability) is the right to receive (deliver) cash or another financial asset or the right to exchange financial instruments with another party under favourable (unfavourable) conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.

Foreign Exchange Forward Contract
A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.

Forward Rate Agreement
A contract between two parties, whereby a designated interest rate, applied to a notional principal amount, is locked in for a specified period of time. The difference between the contracted rate and prevailing market rate is paid in cash on the settlement date. These agreements are used to protect against, or take advantage of, future interest rate movements.

Forwards and Futures
Commitments to buy or sell designated amounts of securities or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.

Guarantee or Letter of Credit
A contractual agreement to provide assurance that if a client defaults on payment to a third party, ATB Financial will make that payment under specified conditions. ATB Financial has recourse against its clients for any such advanced funds.

Hedging
A risk-management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign exchange rates, and equity or commodity prices.

Impaired Loan
Loans for which there is no longer reasonable assurance of the timely collection of principal or interest.

Interest Rate Cap
A contract between two parties, whereby a designated interest rate, applied to a notional principal amount, is locked in for a specified period of time. The difference between the contracted rate and prevailing market rate is paid in cash on the settlement date. These agreements are used to protect against, or take advantage of, future interest rate movements.

Interest Rate Collar
The simultaneous purchase of an interest rate cap (floor) and the sale of an interest rate floor (cap) with the goal of maintaining interest rates within a defined range. The premium income from the sale of the floor (cap) reduces or offsets the cost of buying the cap (floor).

Interest Rate Floor
An option-like contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike (exercise) interest rate and the prevailing market interest rate on predetermined dates.

Loan Growth
Loans outstanding at year-end less loans outstanding at the previous year-end divided by loans outstanding at the previous year-end.

Net Impaired Loans to Total Gross Loans
Impaired loans less any allowance for credit losses compared to total loans outstanding.

Net Interest Margin
Net interest income for the year divided by the value of average total assets for the year.

Net Interest Spread
Net interest income for the year divided by the value of average total earning assets for the year.

Notional Amount
The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed "notional" because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.

Off-Balance Sheet Instrument
Assets or liabilities that are not recorded on the balance sheet but have the potential to produce positive or negative cash flows in the future. A variety of products offered to clients can be classified as off-balance sheet and they fall into two general categories: credit-related arrangements, such as letters of credit, and derivatives for hedging.

Operating Expense Growth
The current year's non-interest expenses less the previous year's non-interest expenses divided by the previous year's non-interest expenses.

Operating Revenue Growth
The current year's operating revenue (net interest income plus other income) less the previous year's operating revenue divided by the previous year's operating revenue.

Option
Contract between two parties whereby the buyer of the option has the right, but not the obligation, to buy (call) or sell (put), a specified financial instrument or currency at a set price or rate on or before a specified future date, on a specified date, or on a series of specified dates.

Other Income to Operating Revenue
Other income for the year divided by operating revenue (net interest income plus other income) for the year.

Provision for Credit Losses
An amount charged to income that represents an amount deemed by management to fully provide for impairment in the existing credit portfolios, given the composition of the credit portfolios, the probability of default, the economic environment, and the allowance for credit losses already established.

Return on Average Assets
Net income for the year divided by average total assets for the year.

Swaps
A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another, at a set date.

Swap Option or "Swaption"
An option on an interest rate swap. The buyer of a swap option has the right to enter into an interest rate swap agreement by some specified date in the future. The swap option agreement will specify whether the buyer of the swap option will be a fixed-rate receiver or fixed-rate payer.

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Chair, Credit and Financial Risk Committee; Audit Committee; Investor Services Committee

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Credit and Financial Risk Committee; Governance and Conduct Review Committee

Art Froehlich
Audit Committee; Credit and Financial Risk Committee; Investor Services Committee

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Executive Vice-President and Treasurer

Ian Wild
Senior Vice-President, Corporate Financial Services

ATB FINANCIAL BRANCHES AND AGENCIES

Branches

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Andrew
Athabasca
Banff
Barrhead
Beaverlodge
Black Diamond
Bonnyville
Bow Island
Boyle
Breton
Brooks
Bruderheim
Calgary *(22)**
Camrose
Canmore
Cardston
Caroline
Carstairs
Castor
Claresholm
Coaldale
Cochrane
Cold Lake
Consort
Coronation
Crossfield
Daysland
Didsbury
Drayton Valley
Drumheller
Edmonton *(17)*
Edson
Elk Point
Fairview
Falher
Foremost
Forestburg
Fort Macleod
Fort McMurray *(2)*
Fort Saskatchewan
Fort Vermilion
Grande Prairie *(2)*
Granum
Grimshaw
Hanna
High Level
High Prairie
Hinton
Hythe
Innisfail
Killam
La Crete
Lac La Biche
Lacombe
Lamont
Leduc
Lethbridge *(2)*
Linden
Lloydminster
Magrath
Manning
Mayerthorpe
McLennan
Medicine Hat *(2)*
Milk River
Nanton
Okotoks
Olds
Onoway
Oyen
Peace River
Picture Butte
Pincher Creek
Ponoka
Provost
Raymond
Red Deer *(3)*
Redwater
Rimbey
Rocky Mountain House
Rycroft
Ryley
Sherwood Park *(2)*
Slave Lake
Smoky Lake
Spirit River
Spruce Grove
St. Albert *(2)*
St. Paul
Stettler
Stony Plain
Strathmore
Sundre
Taber
Thorsby
Three Hills
Tofield
Trochu
Two Hills
Valleyview
Vegreville
Vermilion
Viking
Vulcan
Wainwright
Westlock
Wetaskiwin
Whitecourt
Wildwood

Agencies

Acadia Valley
Alberta Beach
Alder Flats
Alix
Alliance
Amisk
Barons
Bashaw
Bassano
Bawlf
Beaumont
Benalto
Berwyn
Big Valley
Blackie
Blairmore
Blue Ridge
Bon Accord
Bonanza
Bowden
Bragg Creek
Bruce
Calmar
Carbon
Carmangay
Carseland
Cereal
Champion
Chauvin
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Cleardale
Clive
Compeer
Coutts
Czar
Delburne
Delia
Devon
Dewberry
Donalda
Duchess
Eaglesham
Eckville
Edberg
Edgerton
Elnora
Enchant
Evansburg
Fawcett
Ferintosh
Fort Assiniboine
Fox Creek
Galahad
Gibbons
Gleichen
Glendon
Glenwood
Grande Cache
Grassland
Halkirk
Hardisty
Hay Lakes
Heisler
High River
Hines Creek
Holden
Innisfree
Irma
Irricana
Irvine
Islay
Jasper
Kinuso
Kitscoty
Lake Louise
Langdon
Lomond
Lougheed
Mallaig
Mannville
Marwayne
Millarville
Millet
Minburn
Mirror
Morinville
Morrin
Mulhurst
Mundare
Myrnam
Nampa
New Norway
New Sarepta
Newbrook
Nobleford
Paradise Valley
Peers
Plamondon
Radway
Rainbow Lake
Red Earth Creek
Redcliff
Rockyford
Rolling Hills
Rosemary
Sangudo
Sedgewick
Sexsmith
Standard
Stavely
Stirling
Strome
Swan Hills
Sylvan Lake
Tangent
Thorhild
Tilley
Torrington
Vauxhall
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** Includes the Business Financial Service Centre*

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